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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

ORGANIZATION

THURSDAY, OCTOBER 30, 1980

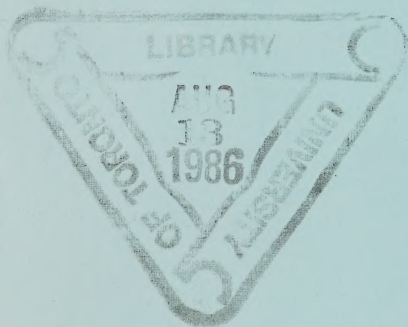
SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Renwick, J.A. (Riverdale NDP)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk pro tem: Nokes, F.

Also taking part:

Lewis, R., Clerk of the House



LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, OCTOBER 30, 1980

The committee met at 9:18 a.m. in committee room No. 2.

ORGANIZATION

Mr. Chairman: I believe we have enough members to start, a working quorum. This is our first meeting, an organization meeting. I hope--and I think everyone concurs--it will be brief. This then is the first meeting of the select committee on plant shutdowns and employee adjustment.

All of us have a number of questions we want clarified as quickly as possible this morning. Just to start off, I think I am correct in saying we want to get at it as soon as possible. If we could address ourselves initially to the six, seven or eight weeks we have immediately before us, the period before the so-called recess, I think that might be an effective way to start. Clearly, if we want to be at it next week, we have to start to look at what days we will be able to meet. It flows from that, then, that we are going to have to spend a few minutes talking about a clerk and staff for the committee.

Maybe I will stop right there. There are a host of other related questions that deal with the startup.

Mr. Mancini moves that the committee appoint the member for Quinte (Mr. O'Neil) vice-chairman.

Motion agreed to.

Mr. Mancini: Mr. Chairman, I would like to bring up the point that maybe we should discuss the staff first and then discuss the time frame for our sitting. In that regard, I wonder if the committee feels we need counsel to assist us during our hearings and in writing the final report that we would approve.

Mr. Renwick: Mr. Chairman, I see absolutely no need to have counsel for the committee. I would hope that as we get under way the staff we use are from the Legislative Library and research facility, without in any sense precluding the need we may have for some very specialized assistance in very particular areas, perhaps, as the work of the committee develops.

But I see no reason at all for having counsel. These are political matters, not legal matters, and I think we must deal with them in that way. With the resources available to us we can get all the information we need for our deliberations.

Clerk of the House: May I speak for a moment, Mr. Chairman, about the clerk of the committee? As I mentioned to you before the meeting started, Mrs. Nokes has kindly agreed to act

for the committee this morning. I cannot say yet who the permanent clerk will be because I am having a meeting on Monday with all the committee clerks to see who is in the best position to take it on, as it were.

By Monday I should be able to advise the chairman who will clerk the committee on a regular basis, but Mrs. Nokes kindly consented to come along this morning and give us her services.

Mr. Chairman: Back to the other matter then. When we talk about staff I think we are normally talking about possibly two bodies. Mr. Mancini, you did not mean a lawyer in lieu of staff, did you?

Mr. Mancini: That is what I meant. Maybe I did not make myself clear.

When we were on the committee that investigated Ontario Hydro contracts with Babcock and Wilcox, we had counsel at that time. We did not necessarily have them so they could give us legal advice. I know the committee on Hydro safety has counsel and they do not necessarily have them to obtain legal advice.

Mr. Turner: Why then do they have them?

Mr. Mancini: To assist them in questioning and with the report--to assist them in putting together a proper, cohesive package.

Mr. Turner: Like Mr. Renwick, I cannot see any need for counsel. I would hope we would not look upon this as a make-work project for the legal profession in any way, shape or form. I think if the need arises for legal advice, we can certainly retain counsel almost at any time, but not in the initial stages.

Mr. Mancini: As I said, Mr. Chairman, it is not specifically for legal services.

Mr. Turner: Going a little bit further, if I may, without any disrespect, lawyers have very little information about the matters we are going to be discussing. I cannot see their being of great benefit to us.

Mr. Chairman: I obviously defer to the committee on this, but it strikes me that the question of a lawyer is something we can look at again. We can look at it early next week if it seems relevant. Then, if there was agreement that we needed one, we have the option we always have, which is to see if there is such expertise available within the government. If there is concurrence that that is the case, we could pursue it at that stage of the game. The other option of going outside does put it in a different kind of a light.

With regard to the other matter of staff--consultant-type staff, research-type staff from the library services--over the last year there has been a real attempt, and I think a good one, to utilize their services.

Mr. Turner: From what I have seen, they are doing a very creditable job really.

Mr. Chairman: I wanted to speak to Brian Land today, with the committee's agreement.

Mr. Mackenzie: I would suggest you talk to him and see what he has available in the way of somebody who could marshal or do some of the calling of people as we want them before us, and assist the committee.

Mr. Chairman: Equal pay for work of equal value was the first experience for me: a young lady, Merike Madisso from the library, who was extremely useful. The funny part of it then--that was the first experience I had, whenever that was, six, eight or nine months ago--was that we also had an outside consultant. She was extremely good. I think that was the first time it was done on a full-time basis.

Mr. Cooke: The justice committee uses them all the time.

Mr. Chairman: So did the constitutional reform committee all summer.

Mr. Renwick: Martha Fletcher was with public accounts, and Linda Grayson was with us on the constitutional reform committee. Our own experience was excellent, as was everything I have heard from the other committees. So I think it is a very valuable initiative.

Mr. Williams: Are these people in the research area?

Mr. Renwick: Yes.

Mr. O'Neil: Would this person sit in on all our meetings?

Mr. Chairman: Yes.

Mr. Lewis said that on Monday he will inform us about the appointment of a clerk. I shall speak to Brian Land about a library person. The matter of the lawyer may come up again.

Is it fair, now, to move to the matter of what days we are going to meet?

Mr. Williams: There is just one observation I would like to make, Mr. Chairman. I agree with, I guess, the consensus that has been taken, that certainly initially we do not need a lawyer. I accept the fact that every time we set up a committee there are always discriminatory remarks made about the legal profession and the fact that they are useless and not really needed in these ventures.

Mr. Turner: I do not think that was said--with all respect, Mr. Williams.

Mr. Williams: The legal profession seems to be a target these days, if it is not the doctors, but we live with it.

Mr. Turner: You are much too sensitive.

Mr. Williams: That's right.

But really what I wanted to come down to is the fact that it seems to me that as we go through the hearings, we may well want, on isolated occasions or more often, to call on lawyers who have specialized in the field of labour relations. There also may be other who have expertise in that particular area who are not lawyers per se but are specialists in labour negotiations. So I think we will have to play that by ear as we go along.

Certainly I do not discount the fact that we may want to--

Mr. Chairman: Is that agreeable?

Mr. Turner: Except that I would like to add a cautionary note. Based on personal experience, so-called experts are very few in number in this particular field. I guess all I am saying is that the collective knowledge of the people on the committee is going to be probably as much or more expert in many cases than you are going to get from, as I say, so-called experts.

Mr. Williams: Before we finish here, I just want to say that I have no objections that we start off with inhouse resources and staff people. I am just saying that surely it is not going to preclude us from calling on outside special assistance if, as and when we need it.

Mr. Chairman: It makes sense to me.

Mr. Mancini: Possibly I am not making my point clearly, but when we dealt with the Babcock and Wilcox committee--I do not know if any of the members here were on it or not--that was quite a controversial issue and there were many different ways we could go as regards investigating the matter, how we should do it, who we should call in, what we should do with the information and advice given to us by the people who were called in and certain areas that we should home in on.

I know all of us have particular interests in the plant shutdowns or we would not be here this morning. For instance, Mr. Mackenzie has some expertise in the matter from his background and from the type of work he did before he came to the Legislature. But my concern is that we move cohesively in several areas.

That is why I see the need for a counsel, Mr. Chairman. He can assist us in that matter and he can keep us going cohesively in certain areas. so we can come up with a package that might be acceptable to all of us.

9:30 a.m.

I do not want, in any way, to put down the staff upstairs in the library, because I use them consistently for all kinds of matters and I know they have done good work for the other committees. But I think if we did get outside counsel--not for the purpose of giving jobs to lawyers or making work; I know the gentleman we used for the committee on the Babcock and Wilcox matter was certainly not making a big windfall by working with us--

Interjection.

Mr. Mancini: Yes, he did.

Maybe when some of the members are thinking of windfalls for lawyers and counsel they must be thinking of the committee dealing with the Ontario Hydro matter.

But I can only speak from the experience I had with the Babcock and Wilcox committee. We got the work; it was done in a relatively short time. We moved cohesively in several areas. We were able to be very penetrating with the assistance of our counsel--not that the members would not have been able to ask just as penetrating questions on their own, but we were able to move in areas and get information that I think we would not have been able to, and we came to collective decisions that, if we had not had the counsel, we may not have been able to come to as a group.

I feel we should not discard the matter of counsel; the person may be from a legal background or we may have someone upstairs in the Legislative Library research department, but I do not think the two are the same. I do not want to prolong the discussion, but I think we should give this further consideration before we discard it.

Mr. Turner: We want the committee recorded.

Mr. Mancini: If we are going to have somebody with us, I think they are going to have to be with us from the beginning. It is pretty difficult to expect anyone, no matter how great their ability, to come in in the middle of the hearings and expect them to understand what has gone on in the committee before and what direction the committee wants to go in.

Where committees have had problems with their counsel is when they have let the counsel take the committee over. But I do not believe that happened in the Babcock and Wilcox committee. That is why our experience was a good one.

Mr. Chairman: One of the points--and Bob and Jim were just talking there--Mr. Mancini makes is a good point on the whole question about a lawyer. If we are going to review it as we go along, which seems to be part of the feeling, perhaps we will be bringing in a lawyer halfway through the exercise when it is going to be difficult, whoever that person is. But, Bob, you wanted to speak to it.

Mr. Mackenzie: I simply want to say, Mr. Chairman, that I saw nothing that said that we could not at some stage in the game engage a lawyer if that was the decision of the committee. However, I agree very strongly with the argument that what we are looking at is what we, as legislators, want to do and perceive as being the problem under the broad terms of reference we have, in terms of plant shutdowns, the effects on workers, the effects on the community. Surely an investigative and a political decision has to be made and I do not particularly want to see it get tied down in legalities.

I think we have the expertise on the committee to ask the questions that are necessary and when we run into a legal problem per se, then we can take a look at whether we want legal staff or not.

Mr. Mancini: For Mr. Mackenzie's information I would repeat that the Babcock and Wilcox committee was similar. It was a political decision to have the committee set up. It was a political matter to be dealt with and we did not necessarily engage the counsel for him to give us legal opinions. I am sure just about every other select committee that has been set up has been set up for political considerations to deal with political matters, not necessarily with legal matters.

During the course of our work here, if we come across outstanding people we feel could assist us in any area--I do not think it matters if they are lawyers or not--if they could assist the committee, I think we should seek those people. First and foremost, we must give these people instructions as to how we want to move, but they then help us to move cohesively as a group in certain directions and investigate things in great detail.

The only thing I am fearful of is that we might go off in 10 or 15 different directions and maybe not go as deeply into matters as we wanted to. Then when we make our final report, we are going to have great difficulty getting one voice speaking for the committee. That is my concern; not that we need legal advice, my goodness.

Mr. Chairman: Could we come back to the question, either later on this morning or Monday?

Mr. Renwick: Yes. I just want to state very categorically that I see absolutely no need at this point to have counsel for the committee. I do not agree with the tradition, which I hope we are breaking, that committees give over to somebody else the responsibility of writing their report and providing cohesion; we in this committee are responsible for our work and our report. I want to see it generated within the committee. I do not need a lawyer around for that purpose.

Mr. Turner: Maybe you don't need a lawyer, but the rest of us might.

Mr. Renwick: With John Williams and George Taylor here, I get ample legal support on these matters.

I want to say one thing that I have said very categorically: If we run across specific areas of expertise where the research facility of the Legislative Assembly organization feels that we need and we feel that we need that kind of expertise because they do not have it, then we go and get it. But I want to get on with our work. I do not want to get bogged down.

I have to leave at 10 a.m., Mr. Chairman. Could we try and cover the rest of the organizational matters?

Mr. Chairman: Yes.

Mr. Mancini: Mr. Chairman, I am going to leave the issue if the committee in its entirety feels we do not need counsel. I do not know how much more clearly I can put the matter.

Frankly, Mr. Renwick, I have never said that we needed the counsel to give us legal advice at every turn. I have never said that we need the counsel to take the committee over. I made it very clear I did not want to get legal counsel for that purpose but for other purposes which I stated.

From my experience on the select committee on Ontario Hydro contracts with Babcock and Wilcox, when the committee took a stand as far as who was going to run the committee was concerned, things worked out differently. Now, if you are referring to the Hydro committee and what has happened there, that is a matter those members must deal with.

But if the committee feels we should leave the matter and not hire counsel, that is fine.

Mr. Chairman: I think the points have been well made. There are at least two good sides to this argument. In the interests of looking at the other matters before us, can we keep this in mind and raise it at the first opportunity at our next meeting together with the advice or the views of our library person who will be in place by then? Is that fair, to come back to this?

Can I ask a couple of related questions dealing just with the matter of days of meetings because that ties into the next question of witnesses and advertising? I am simply saying that once we know when we are going to be meeting and make some agreements between now and at least the end of this session, we will be in a better position to inform interested outsiders of our arrangements.

Mr. O'Neil: Looking at the long-range program, what is the intention of the committee? Are we going to sit just in Toronto and ask witnesses to come here? Do we plan to travel to other parts of the province? Do we plan to look at any other jurisdictions within Canada or outside Canada?

What does the committee have in mind? Are we going to sit from now until the Christmas break and hope to get it finished by then, or do we propose to come back in January or February or even March?

Mr. Renwick: If I could address that, I am thinking entirely of the period from now until the Legislature recesses. That is the first point. I would think that whatever the plans for the committee may be in the New Year would be matters that would be dealt with after we got into the world of work and know what we are doing.

9:40 a.m.

Secondly, there is no authority in the terms of reference of the committee for the committee to travel. If at some point next

year there was to be some travel then they would have to be amended to provide for that. I think it would be wrong for us to be away from the assembly when it is in session and we must work within the framework of the schedule of the assembly.

Therefore I, personally, am most anxious that the importance and urgency of this committee's work be such that we direct our minds towards December 1 as a date upon which we will put in whatever you want to call it, a first report or an interim report or whatever it is. I think the assembly is entitled, with the urgency of the matter, to get something before them by December 1, which would presumably include plans for any further work that was required if at that point it was necessary to do so.

I also have the view that, because of that time compression problem, we would be most unwise at this time to advertise and have an open-ended invitation for people to make submissions to us because otherwise we would just simply not get on with our work. I think, from within the framework of the committee and the connections that the various committee members and members of the assembly have, we would have no trouble in a careful selection of invited people who we believe can provide the kind of information to us about who is hurt in the world because of this--and there are a lot of people hurting because of it--how does it come about that people are getting hurt, what is the process by which people get hurt and the very real specifics of what is the end result of that hurt? It seems to me that within that framework we can get on very quickly and promptly with the work.

I know there are problems of adjustment of time always within the assembly, but certainly, so far as I am concerned and I think my colleagues, within the limits, certainly two of the three of us can work it out to always be in attendance. I would like to give priority myself to the work of this committee and I would like to sit sort of on a crash operation for about seven sittings a week.

When I say seven sittings, I am not talking of seven days a week. I am talking of Monday afternoon, Tuesday afternoon, Tuesday evening, some part of Wednesday, Thursday afternoon, Thursday evening, whatever those sittings may be, but I think that my capacity, and I do not know of anyone who would not agree with me, would be compressed into four days a week; we have to get on with a lot of work.

Mr. Mancini: I have difficulty agreeing with Mr. Renwick--I seem to have had that difficulty all morning. I think it is going to be very difficult for this committee to sit in stages, as was suggested, that we sit in one stage between now and Christmas, and then after Christmas we decide what we are going to do. I think the committee should have an overall view of when and how we are going to sit and I think we should set a time schedule for ourselves and dates to meet.

For example, if we want to make our final report before the Legislature comes back next spring, then I think that tells us something. It gives us the opportunity to sit a great deal when the Legislature is not sitting after Christmas. If we want to make

a final report earlier than that, then it tells us that possibly we have to go to the seven sittings a week Mr. Renwick has mentioned. But without the overall plan, without the overall view, I do not know how we can decide how much we should sit and it is going to be very difficult, with the things that are coming up, for the members to make so many sittings.

I, for one, am not going to be satisfied with attending two thirds of the meetings. It is my hope that I would be able to attend almost all of the meetings. If we are going to set up so many meetings that we can only attend from 50 per cent to two thirds of the meetings--

Mr. Renwick: That was not my understanding at all, Mr. Mancini.

Mr. Mancini: You said you were going to try to have two out of three members present.

Mr. Renwick: We are going to have three members here at all times with a minimum of two, that is what we are saying, because there are going to be some obvious conflicts.

Mr. Mancini: Absolutely, I agree with you entirely.

Mr. Renwick: All I am saying is that we are not going to get 100 per cent attendance all the time. I admire you for saying you are going to be here all the time. I expect to be here all the time, too.

Mr. Mancini: That is not what I said, Mr. Renwick. Hansard has recorded what I said. You can misconstrue it if you like.

Mr. Williams: Mr. Chairman, I do not see any progress being made in all this argument right off the bat. I think we have got to try to come to a quick consensus on a number of these things.

I entirely agree with the first part of Mr. Renwick's observations but I disagree with the latter part. I think to suggest we get involved in a road show at this time while the Legislature is sitting is totally unrealistic. I think we have to confine ourselves to activities in Toronto and to tie this in with our other responsibilities in the Legislature.

I know the committee was set up with the idea of bringing in at least an interim report at the earliest possible time, perhaps during this session. I have to respectfully disagree with the suggestion, because I think it is unrealistic, that we have an interim report in by December 1. We are not even going to get this committee going until the first or second week in November. We have to do advertising and bring interested parties before the committee.

I have grave reservations about the further suggestion that we are going to be sitting virtually around the clock. It may be that Mr. Renwick is prepared to drop the call of his other

responsibilities and attend here on a daily basis--mornings, afternoons or evenings, as the case may be. I do not know that the committee can realistically sit every working day through the balance of the session in order to achieve your objectives.

Even if we did that, I consider the December 1 deadline for an interim report to be unrealistic. I think we will be hard pressed to get one in by the end of the session, albeit that means only a couple of extra weeks, but I cannot see it with our just barely getting the show under way by mid-November. Also, I presume we would need at least two or three sessions in camera to prepare a report, which would take up the better part of one week. We are talking about two or three weeks and all of a sudden you want to start to put us in a position of submitting an interim report. I just think that is somewhat unrealistic.

Certainly I think we have the mandate and the direction to get in a report, albeit interim, at the earliest opportunity, but I think that December 1 target is unrealistic, with respect.

Having said that, certainly we should make every effort to target towards a report before the House adjourns at Christmas. I think that first and foremost we have to set out what is going to be a realistic scheduling here. To my mind, to meet every day, Monday through Friday, is not an entirely realistic suggestion. There is something in between that maybe can be achievable and fit in with everybody's other responsibilities in the Legislature.

Mr. Turner: Mr. Chairman, I would just like to endorse what Mr. Williams has said. That was my reservation as well.

I have a further reservation with regarding to the timing of the meetings and the number of meetings. I think there has to be some recognition that government members are going to have more of a problem than the others in terms of numbers of people to go around. I do not think it is wholly realistic to suggest that we drop everything else--in fact we are not going to be allowed to drop everything else--and carry on with this, important as it may be. I certainly recognize that.

I just throw this out for your consideration and the committee's consideration, in setting the schedule up that consideration be given to the problems which we are all facing to a greater or lesser degree, and when I say "all" I mean all three parties.

9:50 a.m.

I am just a little bit afraid, Jim. I do not disagree with what you are saying for December 1 but I just honestly do not see how we are going to produce anything that is going in any way to deal with the problem in two or three weeks. It is a complex problem.

Mr. Van Horne: When does the House adjourn? Does anyone know the date?

Mr. Renwick: As I understand it, the target date that the House leaders set for themselves was December 12. The reason I

was speaking about December 1 was so that we would have a report in the House which might have an opportunity to be fitted in for at least a brief debate in the assembly by the middle of December. That was the view.

I recognize Mr. Williams' concern about that. I am not oblivious to it because I live by the same calendar, but I would like us to have a report before the assembly before the House rises with, if at all possible, an opportunity for the House to have the matter debated, if even for an hour or an hour and a half, before the session adjourns or prorogues, whatever it does.

Mr. Turner: I think that is a worthwhile observation and a worthwhile target, but let us not just skim over things for the purpose of producing a report. That is all I am concerned about at this point.

Mr. Williams: I am wondering, Mr. Chairman, whether a Monday, Wednesday and Friday type of schedule would not be--

Mr. Turner: Not Friday; Fridays are out.

Mr. Williams: At least three out of the five days, if we could work them in somehow among all our different responsibilities, to bring it together in a way that we could--maybe Monday afternoons and Wednesday mornings--

Mr. Chairman: The point that speaks to our own calendar, and the problems there are obviously critical and they are related, but the more important aspect of it is that only when we are clear as to what our time will be will we be able either to invite witnesses or decide, if it is the committee's wish, to advertise.

Can I suggest that we consider it between now and Monday? If I may, I make a recommendation that we meet here Monday afternoon and try to come to some decisions on these matters.

Just so that it is not merely a mechanical type of meeting again, perhaps it would be worth while to have some representative or representatives from the Ministry of Labour or other ministries, to bring us up to date, in the presence of our consultant, at least on the existing legislation and the proposed changes which I am under the impression are forthcoming in the next few weeks.

Could we do that, so that Monday would be a constructive day for us? Between now and then, each of us could give some thought to the calendar, the question of witnesses, the question of advertising, and the question that Mr. O'Neil raises of what we are likely going to want to do come January. I do not know that we will even have an answer.

Mr. Williams: Maybe, Mr. Chairman, you could take some initiative and at least bring in at least one or two tentative proposals in the way of agendas--working calendars and suggested interested parties that we would want to bring before the committee, and the means by which we would advertise the

activities of this committee and invite all other interested parties to come forth.

These are a number of the things that logistically, I think, could be worked out with your staff between now and Monday's meeting so you could have some concrete proposals you could put before us. There could be one or several options built into them to give us some direction and something to work with so that we could come to a quicker decision on these matters.

Mr. Mackenzie: Mr. Chairman, at the meeting on Monday, after all of us, I presume, will have taken a fair look at our schedule, I would hope our emphasis will be on a fairly busy schedule over the next few weeks, because I think it is important that we make some kind of initial report in the House before the House rises.

Another thing is I hope you will follow through and that there is support for following through on your suggestion that, as well, we have, probably, the Ministry of Labour. I am not sure whether the Ministry of Industry and Tourism would be involved, as well but certainly the Ministry of Labour, to give us some kind of a summary. It does not need to be a long one, but what is existing legislation in terms of what we are dealing with about plant closures in Ontario, so we have a bit of a working session Monday as well.

Mr. Turner: I think Industry and Tourism is a good suggestion because, obviously, they are involved to some degree.

Mr. Mackenzie: I have no objection to having a bit of a summary on what happens in the situation leading to a plant closure from both the Ministry of Labour and Industry and Tourism, if we can get that for Monday's session.

Mr. Van Horne: In so far as arriving at a schedule on Monday is concerned, I would submit that if each political party, i.e. the Liberals, if one of the three of us got together and determined what is the time that we could accommodate, that would save a little bit of jockeying and jawing on Monday. We could let you know that ahead of time and the other parties could do the same. Then maybe out of that would come some common times and dates, we could lay that on us on Monday and we are saving time--perfect.

Mr. O'Neil: I suppose when you are speaking with the Ministry of Labour, one of their people we should have is Robert Joyce, who has been appointed as a special assistant in this area. I think we should have him here, if possible.

Mr. Renwick: Could we also have for the committee the statement by the Minister of Labour (Mr. Elgie) that was put into the House? Could we also have his further statement with respect to the appointment of Mr. Joyce?

I would hope that, with co-operation from Brian Land, which I am sure you will get, you would probably be able to have today sometime or, if not, tomorrow, the name of the person who would be

seconded to us for our work, and that that person immediately get on, with a little jog from you, to the two ministers concerned for a significant summary available to us for Monday afternoon about--and I am only elaborating on the generalizations that were made--the existing background of the Employment Standards Act and any related statutes that are involved in it and, secondly, as much information as we can about the state of the layoffs at that time.

I recognize that is a big chore and it does not need to be in its final detail. If we have that to start with, we can begin to get our feet wet and get on with it.

Mr. Chairman: I am with you. Can I make this suggestion: if there is general agreement on this, if I could maybe feel that I could proceed ahead on this, I would like to speak to the Ministry of Labour and the Ministry of Industry and Tourism, suggesting in the first instance that Monday, following routine proceedings, the minister, or deputy or spokesman, including Mr. Joyce, be here to bring us up to date on existing legislation. Okay?

I would like to do the same thing with the Ministry of Industry and Tourism, suggesting though that they--because we could take that time from 3:30 p.m. to 6 p.m. easily with that first ministry--if we could agree we would meet at least Tuesday afternoon following routine proceedings, addressing ourselves to other questions that have surfaced and the representatives from Industry and Tourism.

Then, if that makes sense, if we could agree now to meet Wednesday next for the day, I can see two afternoons then, and a full day Wednesday, the full day Wednesday now not booked, as it were. It may well be by then, but by then it may be the last of our--I hate this word--organization-type thing. Some things may have fallen in place by then.

Does that seem fair that we start Monday afternoon, Tuesday afternoon and all day Wednesday?

Mr. Van Horne: I would like to ask about the Ministry of Labour estimates and when they are coming on, and if that also is a concern to Mr. Mackenzie, because he and I both have responsibilities there.

Mr. Chairman: I do not know the answer to that.

Mr. Mackenzie: I do not know the answer and that is one of the things I want to find out for Monday.

Mr. Chairman: You know there is a related question though. Stop me if I am wrong, but the Ministry of Consumer and Commercial Relations has the proposed amendments to the Pension Benefits Act also, I think, under active consideration. Might the invitation to meet with this committee go to three, not two ministries?

10 a.m.

Mr. Turner: I think that is a valid point, because these are concerns that are very closely related, in my community anyway. They are of prime concern to a large number of people. I have all kinds of--

Mr. Mackenzie: I think we should take a look at the effect of pensions in terms of the workers that are involved in layoffs, that we, in that stage in the game, may need some expertise or some help as well. If you set a schedule as you have outlined it with the two ministries and our organization will pretty well, hopefully, wind up by Wednesday, then we can go from there.

Mr. Chairman: I agree. My only question is, should we make it three ministries, extend the invitation to Minister of Consumer and Commercial Relations (Mr. Drea) to be available at least the Wednesday morning?

Agreed? Okay, I am going to speak to--

Mr. Turner: Are you suggesting that we meet Wednesday morning?

Mr. Chairman: Yes.

Clerk of the Committee: And Wednesday afternoon as well. In the morning for Mr. Drea.

Mr. Chairman: So it is going to be Labour, Industry and Tourism, Consumer and Commercial Relations each of those three days and other matters before us of an organizational nature we will resolve hopefully by then.

Mr. Renwick: Two other matters. Would you try to find out from the Treasurer (Mr. F.S. Miller) when in God's name the Royal Commission on the Status of Pensions in Ontario is going to come into the Assembly, because I write every month about it? The last letter I had was that it was going to be November.

It seems to me that access both to the report and to the background work which has been done is an immense short cut for us into a number of the areas that we are going to be concerned with. We should not be engaged in duplicating what has already been done.

And the other thing that I think is most important, and I know you and I touched briefly on it yesterday, when you raised it with me. I think it is absolutely essential. If any ministry, that is Labour or Consumer and Commercial Relations and if by chance, any of the Industry and Tourism, relates to the work and they introduce legislation into the assembly, that we should ask that it be referred to this committee, so we are the ones who are looking at it all, and we don't find ourselves sitting here while they are debating amendments to the Pension Benefits Act or something else in some other part of this building.

Mr. Chairman: Agreed?

I think we have covered the key points. I know what I am going to do on behalf of the committee as far as the next three meeting days are concerned, Monday afternoon, Tuesday afternoon, and all day Wednesday.

Mr. Mancini: What is the time for the afternoon meetings?

Mr. Chairman: To end?

Mr. Mancini: No, to start. Instead of having everybody trying to rush down here at 3:30 and then waiting until four until everybody gets here, we just casually set a four o'clock time.

Mr. Turner: We will all be waiting until 4:30 then.

Mr. Chairman: Probably following routine proceedings is about as safe as you can get. Practically, I guess, it usually is.

Anything else? Okay, I think I know exactly what I am going to do. Any more thoughts, just send me a note or something.

Mr. Renwick: Just one thing. Is Hansard going to be used as it was used in the select committee on the constitution? Is that the way they are going to reproduce our hearings?

I thought that was a very efficient and good way of doing it, a quicker way to do it and we don't wait for all these formal ones.

Clerk of the Committee: Just the Instant Hansard.

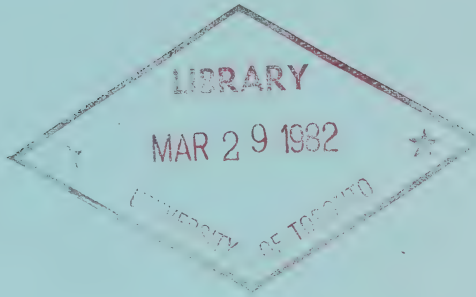
Mr. Renwick: Well, it is not only the Instant Hansard, it's the little booklet that comes as well. The chairman knows what I am talking about.

Mr. Chairman: Yes, it was very effective. Agreed?

Clerk of the Committee: Is that agreed then?

The committee adjourned at 10:05 a.m.

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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

PENSION BENEFITS ACT

MONDAY, NOVEMBER 3, 1980

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Clerk: White, G.

Researcher: Jennings, R.F.

From the Ministry of Consumer and Commercial Relations:

Bentley, J.W., Superintendent of Pensions

Drea, Hon. F., Minister

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

MONDAY, NOVEMBER 3, 1980

The committee met at 3:37 p.m. in room 151.

ORGANIZATION
(continued)

Mr. Chairman: There are a couple of small outstanding things from our first organization meeting last Thursday morning I would like to touch on briefly. Happily we have our clerk, Mr. Graham White, on board, but he is just not here at the moment. He is going to recommend a motion for the committee's consideration, simply to name a subcommittee which can meet from time to time if the need is there. Graham will come back to that subcommittee suggestion.

You have in front of you the resume of someone from the staff of the legislative library here, a young man whom I have not met. It was discussed on Thursday that we attempt as a first line to see if we can get someone to serve as a consultant to the committee. Please look that over and see if we cannot, by the end of the meeting today, have a motion to accept this suggestion for a consultant to the committee.

I want the subcommittee to meet tonight on it because I would like--and I think everybody realizes the need for this--to have this consultant in place by tomorrow.

Mr. Renwick: Could we not deal with that speedily right now and accept the recommendation that has been made so that Mr. Jennings could join us at the outset of our deliberations?

Mr. Chairman: I would like to do that. Is there any discussion on the matter of Mr. Jennings?

Mr. Renwick: He is quite acceptable to me, Mr. Chairman.

Mr. Turner: I would be pleased to move that, or are you making the motion?

Mr. Renwick: Yes.

Mr. Chairman: Mr. Renwick moves the committee accept the recommendation that Mr. Richard Jennings from the legislative library staff be appointed consultant to the committee.

Motion agreed to.

Mr. Chairman: Is Mr. Jennings here by any chance, in the room? Well, tell him to come on in.

Let me just dispose of this matter of the subcommittee. Mr. White will make a recommendation here so we can deal with these things quickly.

Mr. O'Neil moves that a subcommittee on agenda and procedure be struck with a quorum of four on which substitution is permitted with the usual notice to the chairman, the subcommittee to be composed of the following members: Mr. McCaffrey, chairman, Mr. Renwick, Mr. Mancini and Mr. Ramsay; the subcommittee shall report to the full committee on any matters calling for the expenditure of money.

Motion agreed to.

3:40 p.m.

Mr. Chairman: I would like to touch on the first three matters that will come before that subcommittee.

First, on the matter of finalizing our times, we submitted a preliminary request for the House leaders' perusal this morning, and that was that we sit Tuesday, Wednesday and Thursday. I believe there will be some discussion about that afterwards.

The matter of how we handle advertising and briefs should be discussed by the subcommittee. The matter of a lawyer was discussed without any final agreement. At least I did not hear a final agreement on that.

We have the agenda for the first three days of this week before us, and unless there are other matters outstanding I think we might proceed now.

PENSION BENEFITS ACT

Mr. Chairman: It was my understanding from the tone of our request last week that the Minister of Consumer and Commercial Relations (Mr. Drea), although he was not specifically requested to be here, and whoever he wished to bring were asked to brief us on the existing pension benefits legislation in Ontario, and whatever other questions might arise out of that. If there are no other matters shall we carry on?

Mr. Drea, we are just starting and I wonder if you want to start off with some background information for the committee, you and Mr. Bentley, or if you want to respond to questions?

Hon. Mr. Drea: Mr. Chairman, Mr. Bentley, who is the superintendent of pensions, and I are agreeable to anything you want to do. One of our basic problems is that the letter which we had hoped would tell us why you wanted us here has yet to arrive. I do appreciate your phone call, which really was in order to facilitate our arrival, and we set up a time, but Mr. Bentley and I are at your pleasure.

Mr. Renwick: Mr. Chairman, if I may presume--Mr. Minister and Mr. Bentley, thank you for coming on relatively short notice.

Hon. Mr. Drea: Oh no, that's okay. All I am saying is we do not know what you want.

Mr. Renwick: As I see it--perhaps my colleagues on the committee have another view of it--what we want to get from you and Mr. Bentley, as well as from Mr. Elgie tomorrow and the Ministry of Industry and Tourism the next day, as quickly as possible, is a succinct statement of exactly what legislation is under the administration of your ministry touching upon the matters referred to this committee, and particularly with regard to the statement made on October 14 by your colleague the Minister of Labour about the area, as he expressed it, of this problem.

Hon. Mr. Drea: Being as succinct as possible, that particular part of Dr. Elgie's statement on that day was drafted by me.

To be as succinct as possible, on the basis of the experience of Mr. Bentley in his official capacity, in the past two years there has been not only perceived but very real difficulty, particularly in terms of the flat-benefit pension plans at the time of an unexpected closing of a company.

I suppose this is in two areas. For the employee, in terms of years of service or the combination of numbers or whatever is to provide him with so-called early retirement, it comes up far short. Secondly, it is in the area of the distribution of pension funds where the particular fund is not right up to actual dollar strength, notwithstanding the fact that the fund is within the parameters of the existing pension legislation.

Of course, an operating plan, as you know, under the parameters of the legislation, is not at all times up to the dollar level that would be required if there was a sudden closing. The reason for that in the flat-benefit plan particularly is the fact that those plans are subject to negotiation across the bargaining table and they do not presume in any way, shape or form that there will be a sudden termination of the enterprise.

There are some other difficulties. I suppose I could lump them into what this committee may well want to look at.

There is a total lack of understanding by the people involved as to what their pension return will be, in terms of credits or in terms of cash or in terms of an annuity or what have you, if there is a closing of the enterprise. Literally, these people--and I suppose it is perfectly natural--have never really read their pension plan. Of course, this causes us considerable concern, as I am sure it causes everybody concern. The truth of the matter is that nobody expects the early plant closing, so when a pension is subject to collective bargaining people are looking more or less at the long term, rather than at something that might happen.

For example, we really want to have a look at Massey-Ferguson. I do not know whether this is a tentative agreement or whether it has been voted upon, but they have negotiated an increase. Certainly we want to look at it in the light of certain inquiries that we commenced surrounding the turnover of a sizeable block of stock by the Argus Corporation to that pension fund, which we are still trying to value and so

forth. We pick up the press today and find out they have negotiated additional benefits which, I understand, are deferred. But they have negotiated additional benefits to already retired people, notwithstanding the present state of the company.

I am sure, Mr. Renwick, that whatever you want in terms of expertise--Mr. Bentley has had considerable experience with plant closings, not necessarily of the size or dimension this committee is concerned with at the moment, but I think it fair to say that over the past two or two and a half years Mr. Bentley and his staff have literally supervised the orderly winding down of the pension plan in places that were closing.

You will recall that some of the first ones were in western Ontario where it was not so much a withdrawal by the company as there were certain transactions in the United States where various branches of one company here were sold to another company and, therefore, that one branch was closed and the production consolidated in the company's existing Canadian branch. I think there were three or four of those in southwestern Ontario a year or two years ago. Mr. Bentley and his staff had considerable success in handling the pension matter.

I would be the first to tell you that success was really based upon the relatively small number of employees and the peculiarities in those plants of the seniority system, where there was literally no middle range of seniority. It was all very high or very low. So if Mr. Bentley wants to, I would think it proper for Mr. Bentley to elaborate as succinctly as is possible on this.

Mr. Mackenzie: Mr. Chairman, just before Mr. Bentley responds, could I just throw one more piece into the question to which he is going to respond?

Mr. Chairman: Yes, but Mr. Mancini was first on the list. I too would like to throw a thought into the hopper after you, Mr. Mackenzie.

Mr. Mancini: My question is to Mr. Bentley, Mr. Chairman, so Mr. Mackenzie may go ahead.

3:50 p.m.

Mr. Mackenzie: I think I understand what the minister is saying, but his words bother me a bit. What we have been able to do so far is work out the orderly wind-down of a pension scheme or a pension plan where there has been a plant closure or move. I am hoping that in pointing this out to us--essentially, today we want to know what happens and we understand that--you might also be able to give us some ideas you may have in terms of what other options there are; in other words, not just the arrangements to wind something down. Obviously, that you have been doing, and it is my fear that we might do that even with Mr. Joyce in terms of plant closures.

I want some options, in the case of a pension plan, to take a look at keeping it in operation. I suppose that does deal with some kind of a central funding agency and probably some shortening

of the vesting periods as well. I hope we will not just hear about how things happen right now, although that is really what we have asked you for initially, but whether there are options that can be seriously discussed.

Hon. Mr. Drea: Just to define that term "winding down": We were talking about all kinds of things that have occurred, but I am talking about having to face a date when there would be no additional contributions to that pension fund. That is what I mean by winding down.

Mr. Bentley: Gentlemen, basically the situation is simply this: In an ongoing plan, no matter what kind of plan is in existence, contributions to the pension fund, both for current service and for the payment to amortize any unfunded liability, must be made year by year.

The pension fund must be segregated entirely from the employer's assets. Those must be held under trust or by an insurance company under a proper contract--these kinds of things--so that there actually is a segregation of the pension fund from the employer.

The contributions, in accordance with the best estimates that are made by the actuary for the plan, must come to the Pension Commission of Ontario. We examine the costing arrangements proposed in the valuation report. We look at the assumptions utilized by the actuary, the methods and so on. Although I do not have actuaries on staff, I certainly have actuaries on the pension commission.

In looking at it, we have to determine if the assumptions, the methods and the values used appear to be reasonable in the circumstances for that particular kind of plant. It is a completely subjective determination because we cannot say, any more than the actuary can determine, what is going to happen two years down the road or five years down the road or 25 years down the road, because you are looking at a pension plan which, by its nature, is a long-term arrangement. It is not a short-term arrangement. On a continuing basis, you have a certain thing that you look at.

When you come to the situation where a plan is terminated because the employer goes out of business--or for whatever reason: bankruptcy, goes out of business, sells his business, whatever the situation happens to be--you have so many assets in a trust fund, which then must be compared to the total of the accrued liabilities up to the date of the termination or winding up of the pension plan.

When something goes out of existence because the plant has been closed, when the employer or when the union and the employer in negotiation--and this does happen--determine that they do not wish to carry on with the pension plan, that they wish to have some other kind of arrangement, then our function is to receive a report from a qualified actuary saying that, under the terms of the act and under the terms of the plan, the assets available are

to be distributed in this manner. Then he sets out the various priorities.

The priority we look at first of all is, of course, the priority under the act, which means the people who qualify by virtue of age and service--that is, the 45-and-10-year rule under the act that qualifies the individual for vesting under the terms of any pension plan. We have to look at all of those people who qualify under those rules and see that their protection comes first. That includes people who are already receiving pension payments. They are all put into that prior category.

Then, for people under the terms who fall below that, we have to take a look at the balance of the fund that is available to provide the accrued benefits that they may have, regardless of their age and service.

You have a constant roll-down of the funds. You start off with so many liabilities. You start off with so many assets. You utilize the assets necessary to provide this group with the benefits it is entitled to under the terms of the act and under the terms, of course, of the pension plan itself with respect to the benefit structure. Then, what money is left over rolls down to the next category and so on. We have to examine it.

We will not always necessarily agree with the proposed distribution that is set out by the company, or the union in conjunction with the company, because it might appear to contravene the legislation, in which case we simply have to say to them: "I am sorry, you cannot do this. You must reallocate the assets in order to provide for the protection of the individuals whose priority is established by law."

Mr. Chairman, I am being as brief as I can and yet trying to make it clear to you what does take place when we look at these plans.

No assets can be distributed, except for pensions already in payment. In other words, if you are on pension you can continue to receive your pension benefit while we are awaiting the report and while we are determining whether the proposed distribution is acceptable under the terms of the Pension Benefits Act. You can continue paying benefits to retired people, but no other assets can be distributed without the prior approval of the Pension Commission of Ontario.

What we do not do--and I think this is proper--is go out and say, "Thou shalt do it in such and such a way." The law says how you should do it and, therefore, they have to follow this.

When we find a report, whether this proposed distribution has been something that has been negotiated between the union and the employer at the time of winding up--as happened in the Houdaille situation, as happened in the Bendix situation--if that report with the amendments that have been agreed to by the union and the company meets the requirements of the Pension Benefits Act, then, of course, we have no alternative except to accept it and say, then, that the assets may be distributed to the various

people who are entitled to receive a benefit under the terms of both the act and the plan.

We cannot go in and say, "You shall do it this way," except for those people who are protected by law and those are the people who qualify under 45-and-10, the people who are eligible to retire and the people in retirement.

We have to look at that and we have to make that determination. Once we are satisfied that the distribution is in accordance with the act, then we have to approve the distribution.

What constantly seems to come up is the fact that, as the minister has indicated, you can have the individual who, because the plan has a rule of 85, and if it is an ongoing plan, is 55 with 30 years of service, and he would qualify in an ongoing situation for retirement benefits. He might be 58 with however many years of service is needed to bring him up to the number 85. My mathematics in front of the committee are not too good, so we will ignore that. But if he is 55 with 30 years of service, he meets the rule of 85, and, if the plan is an ongoing one, then, of course, he is eligible to retire with full, unreduced benefits.

A unit benefit plan which can be a career-average plan or a plan which is commonly called a final-pay plan--you very rarely find a retirement provision which permits early retirement without reduction. There are some. Most of them say that you are entitled to retire at age 62 after 10 years of service, and you can make that determination yourself, but in the terms of the plan we define age 65 as normal retirement age. The individual can choose at age 62, after 10 years of service, to retire in an ongoing plan, but he takes a reduction. There is an actuarial reduction in the value of the benefit that would be paid to him from age 62, as compared to what would be paid to him at age 65.

4 p.m.

The flat-benefit plan--that is, a plan that defines the benefit as so many dollars per month per year of service--is the normal type of arrangement negotiated by the United Automobile Workers, the steel workers, the rubber workers and so on, and it is usually quoted in this way: The individual is entitled to a benefit of \$12 per month per year of service. If he has 30 years of service at retirement age, then he gets 30 times the \$12.

That is the level of benefit the individual is entitled to at normal retirement age, but in order to accommodate early retirement without reduction--because the individual can be expected to receive old age security, his entitlement under the Canada Pension Plan at age 65--in order to accommodate that in an ongoing situation, they usually negotiate a supplementary or what is commonly called a bridge benefit, that is payable from early retirement age until age 65. It is usually computed in such a manner that it approximates the value of CPP, if that is the offset they are using, or CPP and old age security, if that is the offset they are using.

The individual retiring in an ongoing situation in a

flat-benefit plan that has provisions for early retirement, unreduced, is entitled to a bridge benefit, and the bridge benefit, as I mentioned, is computed to equal, somewhat, the value of CPP and old age security which takes over at age 65. Then he loses this bridge benefit that is paid from the private plan; CPP and old age security take over at age 65.

The problem in these kinds of plans arises in this way--in an ongoing situation first of all. Usually divesting arrangements are negotiated and usually they are based on a period of service, usually 10 years of service. That entitles the individual to a deferred vested benefit payable to him at normal retirement age. He gets \$12 times 12, if he has had 12 years of service, and this benefit is preserved for him in the fund and paid to him at normal retirement age.

The bridge benefit that is there is normally not vested. In other words, the person who just terminates employment and does not qualify for early retirement gets the base benefit, and that is all he gets.

Then you come to valuing this bridge benefit. The actuary has to take this into consideration in his costing of the plan, because so many people would be expected to elect to retire at an earlier age than normal retirement age and would be entitled then to the bridge benefit payable to them until age 65. The actuary has to take that into account in valuing the pension plan.

But keep this in mind: The moment a bridging benefit is established under the terms of a pension plan, it creates a liability. That liability, under the terms of the law, because it has a retroactive effect, can be amortized over a period of not more than 15 years.

If the plan continues, at the end of 15 years the bucks are there to provide the full bridge benefits. But if the plan terminates before that amortization period is completed, or that bridge benefit, or the liability for the bridge benefit, then, of course, when you come to the time of termination or winding up of the plan, only seven fifteenths of the amortization period may be completed. The individual who, if the plan had continued, would have received the full amount of the bridging benefit, at the time of termination, because there are just so many assets, has to just accept the value of the benefit to the extent that it has been funded.

It gets rather complex in this area because on top of this you find so many of the plans have more than one arrangement. They might have a special early retirement provision. They might have a bridging benefit from 62 with 10 years of service. They might have a bridging benefit plus a special early retirement provision from age 55--30 and out--or even something under the terms of the plan which provides for 30 years of service and out. These unfunded liabilities created by the bridging benefits may not be completely amortized. In other words, the full cost of them has not yet been met.

Once the plan is terminated, of course, the liability for

any remaining part that has not been amortized disappears. The responsibility under the law is up to the date of termination. All payments for current service and special payments to amortize any unfunded liabilities and/or experienced deficiencies must be made up to that date. There is no requirement beyond that date.

Then you have a situation upon termination of a pension plan where you have to look at the value of assets, the value of accrued liabilities, the values that have to be cut back because the amortization period has not been completed, and you have to make a determination as to what each individual is entitled to. As you can understand, in so many situations this is a rather difficult thing to have to deal with.

How far do you want me to go?

Mr. Chairman: Mr. Bentley, clearly you can go on forever and this is all very important and useful for us, but there are three people on the list who would like to ask questions. It will give you a chance to pull your thoughts together and get a break if we do that.

Mr. Mancini: Mr. Bentley, I imagine that in the last 18 months or so you have had to deal with several of these matters on an individual basis to make sure that the act was followed and that any agreements which were struck which did not conflict with the act were also approved.

My question is if it is possible for you to table with the committee, say, one or two of these matters you have dealt with involving the approval of a pension agreement which was agreed to by the union and the company, so that the committee can go over actual plant closures and see how actual people made out under the present system.

I appreciate the information you have given us, but it is vague in a way and, if we could see how it affects actual individuals, I believe we would better comprehend how the act deals with these individuals.

Mr. Bentley: We have two examples that are fairly current. One is Houdaille and the other is Bendix. If you would like to see those, I would be happy to provide them.

What I cannot tell you and what we do not ask for is each individual's entitlement. By categories, yes, but if you ask about Joe Blow I might not have that information because in both of these situations I am waiting for the final report. After the distribution has been made and all the benefits have been purchased, they have to come back so that we can close our files with a final report saying that we have made the distribution, that these categories have been all protected, and so on.

But the build-up to this, with both Houdaille and Bendix, would give you a pretty good picture of what we have to do and what we have to look at, what the company is responsible for, where the union may be involved in negotiation. There are two situations and this is why I am suggesting these two, because the

final wind-up provisions were negotiated.

Mr. Mancini: By category, of course, you mean 45-and-10 and people who have reached the 85 points--that would be a category. We would be able to see, generally speaking, how it worked.

4:10 p.m.

Also, I was wondering if you have had any of these--well, I know you have, but could you possibly table with us an example of a wholly Canadian-owned company which would be small in nature so we could see what these people who work for small companies are up against?

Mr. Bentley: Could I ask you to be a little more explicit?

Mr. Mancini: I am interested in a shop where there are maybe eight or 10 people and it is nonunion, and all of a sudden something happens and the shop has to close. I am interested in those people also.

Mr. Bentley: I can provide you with that information, I can give you hundreds of examples, if you would like. In that kind of a situation you do not normally have the flat-benefit plan, which is the very visible one. Usually it is a career-average plan; in other words, a benefit accrues to you at a certain rate per year. It may be two per cent of your salary for that year, and that is held for that year; the next year you get two per cent of your salary again, and the year after; and after 20 years they add up the value of this and that is your final benefit.

In a final-pay plan, they take your salary at the end of the time, two per cent, say, of your salary just prior to retirement--it may be the best three of the last five years--in order to arrive at a salary level, multiply it by two per cent and multiply that by the number of years of service.

Those kinds of plans for the small groups are usually fully insured arrangements. In other words, the benefits are purchased year by year from an insurance company and there is no cutback, no losses; they just carry them right on through.

We very rarely have any serious problem arising from that kind of a situation. The jobs which are terminated are terminated because of closure, but whatever the reason for the company's going out of business the employees get their full accrued entitlements, whether they take them in the form of cash because they are not in the 45-and-10 category or in the form of a deferred annuity which is purchased from an insurance company. I can give you examples of those kinds too.

Mr. Mancini: Mr. Chairman, would it be appropriate to ask Mr. Bentley if, when he gets this information for us, he could make another appearance before the committee and help us go through the information? Questions may arise as we are going through it and it would be good to have an expert with the

committee while we are going through that information. I hear we are scheduling an awful lot of meetings, so I do not think time will be a problem.

Mr. Chairman: It makes sense, Mr. Mancini, to me. I was just talking to Mr. Rick Jennings, who is with us now, by the way, and I hope everybody gets a chance to introduce himself before we leave this room tonight.

I think it is pretty clear what we are going to need. Speaking for myself, it is as complex as hell and Mr. Bentley, I know, can assist Rick in helping to tighten this up for us. If we felt we could call you back at some point in our meetings it would be helpful.

Hon. Mr. Drea: Mr. Chairman, excuse me. Mr. Bentley has some concern that you are just speaking to him. I would certainly think it would be acceptable for staff or absolutely anybody else to attend.

I just want to draw again to your attention that, while we have no hesitancy in filing these, I am not too sure, unless you really want to take an entire overview of the pension field, if a final payment or career average plan really is in any way, shape or form comparable to the flat benefit.

Maybe Mr. Bentley can help me. Is there a unit-benefit plan out there that meets anywhere near Mr. Mancini's specifications? I do not mean necessarily eight or 10 people, but even a small one?

Mr. Bentley: I think I can find a couple but I will have to go back a couple of years and take a look at them. I have not had any of these that have been bad wind-ups in the last couple of years. I had some previous to that, but I would have to go back and look.

Hon. Mr. Drea: We can give you some smaller ones in the flat-benefit or unit-benefit category. As a comparison it is sometimes easier to do something when the numbers are relatively small. But we are really talking about two sets of plans.

I suppose, if I could put it into perspective for you--and these are ball-park figures--there are about 1.75 million people in this province covered by pension plans right now. That is about 40 per cent of the work force. Nobody knows for sure. We are dealing with ball-park figures. I do not think this committee is terribly interested--although it may be--in any but about 350,000 of those people covered by pension plans, because the 350,000 are covered by the flat-benefit or the unit-benefit plan. The rest are in a number of plans which generally meet the scope and the criteria Mr. Bentley has explained.

Mr. Mancini: That is one of the difficulties I perceive we are going to have. The committee may want to enlarge the scope.

Hon. Mr. Drea: Your scope is the whole range.

Mr. Mancini: In order for us to make those kinds of

recommendations, we have to have a clear view of how the present legislation affects the people whose jobs are terminated.

Hon. Mr. Drea: On the basis of the statement that was read by Dr. Elgie--certainly the parts in it relating to pensions were authored by our ministry--in any proposed legislation we are only dealing with the unit-benefit plan. That is in the short term. It is quite true that, if you go further, the Haley commission is dealing with all of them, but the problem for this particular committee is that the Haley thing is somewhere in the future and you are sitting now.

Giving you a comparison between some of the other types of plans--and let us for the sake of argument say you added the federal civil service plan, the Ontario civil service plan, which are fully funded, et cetera. I do not really think there are going to be any problems there related to the problems this committee really is looking at in terms of the time of closure.

Mr. Mancini: My problem is with unclassified personnel.

Hon. Mr. Drea: It was my understanding, Mr. Mancini--and I may be wrong since, as I say, I did not have the letter--that we are talking about plant closures and adjustments in connection with that. The centre of concern now is in the area where there are plant closures in manufacturing and so forth. There what is pretty standard--in fact, I would say absolutely standard--is that unit-benefit plan or flat-benefit plan.

Mr. Cureatz: With regard to Mr. Mancini's question, I think he is trying to get at the different categories and then examine those particular categories that seem to be of concern to the committee. I would find that very helpful.

Hon. Mr. Drea: All I want to point out is that you can take a look at one of the other types of plans, but when you compare it to a flat-benefit plan there really is no comparison. That is all I am trying to say.

You can get a plan for eight or 10 people that is funded annually, et cetera, and is right on scope. I would hope that if you are going to compare that with a flat-benefit plan there would be a lot of thought given as to just what it would take. I am not just talking about money. I am talking about the collective bargaining field and bringing what is out there in that area of 350,000 people into line with what the rest have.

Mr. Cureatz: I just think it would be of some assistance to the committee to have a working knowledge of the various categories.

Mr. Chairman: As we proceed--and there is a growing list of members who want to ask questions--all of us will get a better feel for what we are likely to need.

4:20 p.m.

Mr. Turner: Mr. Chairman, through you to Mr. Bentley,

this is a very complex subject and maybe this is not even appropriate, but I do have a particular problem with a group of employees in my riding. I have met with them on various occasions.

It would seem, because of changes in the pension plan itself--changes in funding and the basic plan--that a lot of older, long-term employees are coming out on the short end of the stick, so to speak, in comparison with the provisions of the new plan covering the newer, ongoing employees. There seems to be a lot of misunderstanding as to what has happened. While it does not relate solely to a plant shutdown situation, it would be aggravated by a shutdown, having two plans in effect with different provisions for different age groups of people.

I am just wondering if we could have some background information on that. I think you have met with these people.

Mr. Bentley: I think I know the ones you are talking about.

Mr. Turner: Yes, I think you do.

Mr. Bentley: I have met innumerable times with them.

Mr. Turner: I met with them just recently and, as I say, there seems to be a complete lack of understanding as to what is going on--in their minds, I am sure--from the company's point of view and from every other point of view. It has been badly explained to the employees.

From the examples they give me and from the figures they give me, it would seem that perhaps they are indeed coming out on the short end of the stick, having regard for the money they paid in, the level of inflation we are suffering from and the funding of the plan in the days when they signed up for it. I guess that is the basic problem.

I would ask you if perhaps we could get some background information about plans that are changed in the middle of the stream, so to speak, with an ongoing company, creating, I think, very severe difficulties for those employees who are covered under the old plan.

Mr. Bentley: I can answer that one right now.

Mr. Turner: Can you? Good.

Mr. Bentley: Very simply, there was a negotiation. I think we are talking about the same plan that started back in about January of this year.

Mr. Turner: That's right.

Mr. Bentley: The two unions involved agreed to the terms of the plan as was either negotiated or proposed, whatever the situation was. As far as I am concerned--and I have made this clear to all parties--it is their responsibility to sort this matter out themselves. We do not tell them what they can do or

cannot do. As long as what they do does not offend the act, it is up to them to determine exactly what they wish to do. This is their responsibility. They have to take responsibility in that area.

I know there is a problem between the union and some dissident members and the company. I agree that it has not been well handled but, until they determine what they are going to do, I cannot even indicate whether what they come up with in the final package will be acceptable under the terms of act or will not be acceptable. I agree that on the surface it appears to be acceptable, but until I actually see the words of the amendments and see the terms of the new plan and how they intend to preserve the benefits under the terms of the old plan, I cannot really tell you whether it would be acceptable or not.

But it is their responsibility. It is back in their court and that is where a decision must be made.

Mr. Turner: Fine. That's great, except I would draw to your attention that there is a group of these people whom you referred to as dissidents. I do not quite see them that way.

Mr. Bentley: I used that phrase just because I could not think of any other at that particular moment.

Mr. Turner: Right, but these are the ones who are being affected most severely. They have been cut adrift, if you will. They do not have anybody speaking for them or representing their views. In the light of that situation, what is the responsibility or the position of the pension board or the ministry?

Hon. Mr. Drea: Let's make one thing abundantly clear: Not now, or have we ever, or certainly as long as I am the minister will we ever interfere in the collective bargaining process.

Mr. Turner: No, I am not suggesting that. I think you missed the point. They have gone through the process.

Hon. Mr. Drea: Yes, I know they have. But what you are asking now is who is to speak for these people and, I suppose by inference, what is the ministry going to do for these people.

Mr. Turner: If anything. What is your role? What is your responsibility in that area?

Hon. Mr. Drea: First of all, that contract was negotiated as part of the collective bargaining process between the company and the union, which is the sole and exclusive bargaining agent in all matters for the employees of that company. Secondly, if I understand it correctly, it was ratified by the members of the union.

Now then, unless that agreement between the company and the union violates either the act or, for practical purposes, the regulations of our legislation, we are not going to interfere. It would be highly improper for us to interfere. It would be highly

improper for us, other than to see if it is in accordance with the statutes, to come in and say in effect, "Your union negotiated a not very good arrangement for you; therefore, the pension commission will come in and try to do something about it."

It would be another matter if the company, where there was no collective bargaining agreement covering pensions or where there was no formal collective bargaining relationship at all, arbitrarily decided in the middle of the week to change its plan. That would be a little bit different.

I just want to make it clear that we will look at it to see that it has not violated the statutes. Mr. Bentley has made it plain that, because it is not quite finalized yet, he has not had a final look at it. The impression I had from your question is that somehow we should be moving in--

Mr. Turner: No, no.

Hon. Mr. Drea: --because some people say, "I will not do as well under this plan negotiated by the union as I did with the plan that in the past was negotiated with the union."

Mr. Turner: Just a supplementary, Mr. Chairman, to confirm what I understood Mr. Bentley to say. The plan in its final form has not been submitted to you as yet?

Mr. Bentley: No. The file has been sitting on my desk now for eight months, waiting.

Mr. Turner: Yes, I realize that. You are waiting to have a look at it, to check it over. That will be done, of course.

Mr. Bentley: That's right, and we will either accept it or cause it to be changed if it offends the act.

Mr. Turner: I think that is all these employees are seeking assurance of; that if it is not in line with current legislation--or any legislation, I suppose--you people will reject it.

Mr. Bentley: Oh, absolutely. We will do that with anybody.

Hon. Mr. Drea: I do not think that is what they are asking. It may be right now, but I do not think in the end it was what they were asking.

Mr. Turner: Not in the final analysis, it isn't, no.

Mr. Chairman: On a point of order, Mr. Renwick.

Mr. Renwick: A point of order: This is becoming a very minute discussion between the minister and Mr. Turner. We are here to get a sense of what we can expect the minister and Mr. Bentley to provide the committee with. It seems to me we must direct our attention to that point at this time.

Mr. Chairman: We will proceed with the list. Mr. Turner, have you completed?

Mr. Turner: Yes, that's fine. I will have more to say to Mr. Bentley when he comes back. Thank you.

Mr. O'Neil: Mr. Chairman, I would like to direct this to the minister, if I may.

In Dr. Elgie's statement, he said he would be bringing in some amendments or that they would be coming through you. I think it was the intention of this committee to ask you to appear today in order to ask you if you could give us some direction as to the way those amendments will be going. In other words, do you propose to bring in amendments dealing with pensions before the end of this month?

Hon. Mr. Drea: Let's put it this way. I intend to bring in amendments to the Pension Benefits Act in time to be passed by this session of the Legislature.

4:30 p.m.

Mr. O'Neil: I know when Dr. Elgie made the statement, he said you would be bringing in these amendments and they would be interim amendments. I just wonder if it would be possible for you to share with the members of this committee something about those amendments, or will they remain secret until such time as they are brought forward? Could you share this with us?

Hon. Mr. Drea: Mr. O'Neil, I do not like the word "secret." We are developing a series of amendments, and when the amendments to the Pension Benefits Act are ready we will promptly announce them in the Legislature.

Mr. O'Neil: Maybe that was not the proper use of the word. Since we are looking at these things and hoping to bring in an interim report by the end of this month or by the early part of December, I think it would assist this committee greatly if we were aware of some of the areas you are looking at where changes will be brought about and maybe what these changes are. I wonder if you could just comment on that.

Hon. Mr. Drea: I think the original statement, if somebody has a copy, spells it all out. We tell you the areas we are moving in.

Mr. Van Horne: Could I ask a supplementary, following on what Mr. O'Neil has asked? Are you suggesting that you are going to bring in an amendment to provide a centrally administered fund to guarantee pension rights?

Hon. Mr. Drea: Yes.

Mr. Van Horne: That is part of the statement. In other words, that is what we can look for--no more, no less.

Hon. Mr. Drea: I do not mean to repeat this again, but--

Mr. Van Horne: You wrote that part of the statement. I heard that.

Hon. Mr. Drea: We wrote everything in there that involves pensions. It was just for the convenience of the House that the Minister of Labour read the whole thing. We very carefully outlined the thrusts of the initiatives we will take in the amendments to the Pension Benefits Act because you have a very thorough, exhaustive and presumably complete analysis--although I have not seen it--of the entire matter of pensions which is going to be considered by the Haley commission following that.

I want to make it plain that we are not usurping the Haley commission report. We are not moving ahead of it. We are meeting a specific problem on a short-term basis pending whatever happens with the Haley report.

Mr. Chairman: Mr. Minister, this would be on a short-term basis? I am going back to a word used by Mr. O'Neil: these would be interim amendments? Is that how you see them?

Hon. Mr. Drea: No. They are full amendments and, if they meet the need, presumably they will last in perpetuity. What I am saying is that when the Haley commission report comes in it is not going to be acted upon overnight, because it will be a very complex document. They are already setting meetings for about a year from now or 10 months from now, right across the country.

Mr. Renwick: There will likely be a change of government before then.

Hon. Mr. Drea: I doubt that, Mr. Renwick.

Mr. Renwick: Perhaps you should let us know the dates so we can put them in our calendars.

Hon. Mr. Drea: The dates of what, Mr. Renwick? I am sure you can read Madame Begin's announcements as well as I can. It has nothing to do with this government.

Mr. Renwick: Sorry, Mr. Minister.

Hon. Mr. Drea: All I am saying is that the reason they are termed "interim" is that it is our position that there is a great deal of work to be done in the entire pension area and that it should be done in a concerted manner. We are meeting a special area. If the things that are done for that special area turn out to be exactly what people would have done only a little bit later, as a result of the Haley commission, then, okay, they stand forever. If there is a total revamping of pensions and various pension programs and if these are not needed, then obviously they will fall by the wayside when the much improved pension system comes in.

Mr. O'Neil: Mr. Minister, the words that were used by Dr. Elgie were "only on an interim basis." I would like to ask you about this central fund into which pensions would be paid.

Hon. Mr. Drea: We did not say a central fund; that was a guarantee fund. I think if you read it, it does not say any of that.

Mr. Van Horne: It says, "a centrally administered fund to guarantee pension rights."

Hon. Mr. Drea: Yes. A centrally administered guarantee fund.

Mr. Van Horne: No, a "fund to guarantee..."

Hon. Mr. Drea: Okay, but it is not like paying your pension money into something the equivalent of the Ontario pension fund.

Mr. O'Neil: How would it be administered? Can you give us some background as to what you have in mind, what will be put forward? Or, again, will that have to stay--

Hon. Mr. Drea: No. Anybody can read between the lines, Mr. O'Neil. It would be centrally administered because it would be an insurance fund and, obviously, in the short term, until that fund is built up, there will be a province of Ontario guarantee to meet claims against it. Once that fund was built up, any funds the province had actually expended would be repaid to the province and if no funds had been expended and they had a sufficient amount of money, then the guarantee would be lifted.

Mr. O'Neil: Would this fund be only for large plant closings or would it be for any type, such as those Remo Mancini mentioned, some of the smaller locations with maybe eight or 10 employees? Would they be able to participate in something like this too?

Hon. Mr. Drea: Yes, those are some options still open to us and decisions have not been made, but I would suggest to you that the people in the type of operation Mr. Mancini described might not be any too happy about having to contribute at all.

Mr. O'Neil: Mind you, there might be some who would like it too.

Hon. Mr. Drea: Not if they are on the type of plan Mr. Mancini mentioned, because there would be no advantage to them at all; that is, if you look at the whole. You are asking if it is envisaged that the 1.75 million, that ball-park figure, will all contribute, or if their plants will contribute--those are some options still open to us--or will it be restricted to the area where, by experience, insurance--and it literally is insurance--seems to have been needed.

Mr. O'Neil: Mr. Minister, could I also ask if you would be able to provide for this committee some of the information that you have based this on? I understand the points Dr. Elgie made and you are saying that you are going to be proposing certain amendments. Do you have any background material or study papers that have brought you and Dr. Elgie to these conclusions that you could share with us? I know we have our own feelings.

Hon. Mr. Drea: I am not sure Dr. Elgie and I have come to any conclusions on this matter. This is Mr. Drea. It is based on the experience the pension commission has had in this area of--I do not want to use the words "plant closings"--the termination of plans; that is, no new contributions coming in.

Dr. Elgie's area of responsibility is entirely different. If you go on and read that statement, there is a section in there dealing with adjustments of fringe benefits. It is very particular there. It says that the implications for pensions of any adjustment to fringe benefits during the notice of layoff period and so forth will be handled in the pension benefit legislation, not in severance pay legislation.

Mr. O'Neil: Besides these points that were raised in this particular case dealing with pensions, have you any other suggestions or feelings about things you would like to see changed in the pension structure that would assist this committee?

Hon. Mr. Drea: I do not know whether it would assist the committee, but over the three years that the Haley commission has been going Mr. Bentley has had a great deal of input into it. The Haley commission has concluded the representation part of it, as I understand it. It does not operate under my auspices.

Yes, we have put forward a great number of thoughts and suggestions and so on into that. I am sure Mr. Bentley can give you chapter and verse on his own experience in these areas. I do not need study papers. Study papers from whom?

Mr. O'Neil: What I mean is, you said you have made submissions to this royal commission. Would it be possible for committee members to have copies of those submissions that you made to the royal commission?

Mr. Bentley: Could I explain it? The Pension Commission of Ontario made no formal submissions. I was called before the royal commission, as I am called here, to answer certain questions, from my experience, that dealt with what situations had occurred, to explain how they were handled and so on.

4:40 p.m.

I spent innumerable hours appearing before the members of the Haley Royal Commission on the Status of Pensions in Ontario, just as I am here today. But there was no prepared study because I didn't know what questions were going to be asked of me in those appearances. I merely went forward and did my best to answer whatever questions they asked, based on the experience that I have had over the last 17 years as superintendent of pensions.

Hon. Mr. Drea: I think, too, the Haley commission did a great deal of original work. It commissioned a great deal of research.

Mr. Bentley: Tremendous.

Hon. Mr. Drea: There was tremendous amounts of research

into areas that had never been touched before. On the basis of their research, they would try to apply theory to Mr. Bentley's experience. We haven't been compiling study papers because parallel to whatever we have been doing, there has already been that collection. I presume the working papers of the pension commission are available.

Mr. Chairman: In summary form, they are available--

Hon. Mr. Drea: They have been available for some time. It is one of those commissions that no one, except those in the pension field, has paid attention to. It isn't the stuff that has been chronicled daily, but it seems to me a lot of their work is available and presumably the committee will want it.

Mr. Mancini: I have a short supplementary question concerning Mr. O'Neil's requests of the minister to provide the committee with background information which he used to write his part of the statement of the Minister of Labour.

Do I understand the minister to say that information is not available or that Mr. Bentley has that information? Then could we redirect that request to Mr. Bentley? Could he provide the committee with background information that was used by Mr. Drea to write the information in Mr. Elgie's statement to the House?

Hon. Mr. Drea: Sure, but all I am saying is that it is based on his experience with a number of terminated plans.

Mr. Mancini: Yes. We evidently don't have that experience, Mr. Minister. That is why we are requesting that you--

Hon. Mr. Drea: No, but he can provide it. What I thought you were asking or what Mr. O'Neil asked is, do we have study papers and all kinds of research? No, we don't.

Mr. Bentley: I am sure we deal with each situation on a case by case basis.

Mr. Mancini: If you don't have background information, how do you--

Hon. Mr. Drea: We do, Mr. Mancini, but he asked if we had study papers. We don't have study papers. He asked Houdaille Industries what was the problem at Houdaille and how was it comparable. There are similar problems throughout the flat-benefit one when it comes to termination.

Mr. Renwick: I think why I was anxious that the minister and Mr. Bentley come before us was, first of all, to establish a quick and informal relationship between the staff of the committee and Mr. Bentley, with the minister's agreement--or whoever Mr. Bentley wants to assign to work closely with our staff on it. Our staff consists of Graham White at the moment and Rick Jennings and I hope either one of them could have an informal and quick association with you.

Hon. Mr. Drea: They can have anything they want, Mr. Renwick.

Mr. Renwick: Secondly, and by way of trying to clarify my original request, I would like to have and I think the committee would like to have, subject to whether the staff of the committee think it would turn out to be relevant to our work, a list over whatever period of time Mr. Bentley speaks of--he did speak of the last two and a half years; at least for the last year, if a longer period is helpful--of each plan which has been terminated in Ontario and the reason for the termination of the plan.

Then we would need, with the co-operation of our staff and Mr. Bentley, a selection from that list of cases, where the reason for termination has been closure of the plant, a list of typical examples of plant closure and termination of pension benefits.

Thirdly, and this is the urgency of what we are about, is we want to know who got hurt in the game at the time because of the termination of the plans and the closure of the plants. I am not talking about what elections the employees may have or anything like that. I am trying to ask, what is the damage which was done to those employees because they were not able to continue their employment through to normal retirement?

That is the kind of information we need. I may say quite clearly there is no point in this committee getting immersed in the pension commission or its report about it. I have tried to get the royal commission at least to give us some indication when they are going to report. Every month I am told a different date.

Indeed, it took me two or three months to find out which minister I had to get the information from. I understand it is the Treasurer (Mr. F. S. Miller) and the Treasurer has not, as yet, indicated when it will be available. We have to avoid thinking that we are going to become experts in that very complex field. That is not our problem. Our problem is simply--if I can put it as succinctly as I can--to find out who got hurt when pension plans were terminated in Ontario by reason of closure.

I would like to have the full list of all terminations. I would like to have the list indicate those terminations which were by reason of closure. I would like to know what supplementary information should come with a number of what we could take to be typical, serious cases in the province, where people have been hurt. It will be the job of our staff to work to get us, in as comprehensive a way as possible, what that is about.

Also, Mr. Minister and Mr. Bentley, if within your work you have a nonlegal statement about what the Pension Benefits Act means in English for the committee, it would be extremely helpful if we had that, as well.

The next item, and I think this is directed more specifically to the minister himself: When I read your colleague's statement quoting you in here, you are talking about certain amendments to address certain immediate problems highlighted by

recent events. I would think there must be some background information which you, as minister, have about those certain immediate problems highlighted by recent events, of which certain examples were given. Obviously, there were others.

Secondly, I would like to have an assessment from the minister of the problems which are associated with the early cessation of the plans. In other words, are there eight problems or six problems and, if so, what are those problems that are associated with the cessation of the plans and the closure of the plants?

That is the kind of information which I would hope we would get. I am not really thinking that over a period of time we are going to have to be calling Mr. Bentley back and back. I think that work can be done and be clarified by our staff with Mr. Bentley. I don't think that Mr. Bentley needs to have us try to extract from him bits and pieces of information when our staff can get the background information for us, present it to us and, if we have questions that we don't understand, our staff can always go back to Mr. Bentley on it.

It is basically within that framework that I see the demands that we will want to make.

Hon. Mr. Drea: Can I just reply to that for a moment? We think we can facilitate that relatively quickly for you. I was going to suggest, on the basis of the first part of your queries, that rather than waiting for us to file, because of the time constraints upon your committee, it might be advantageous that your staff meet with ours and that your staff bring these back as working papers in whatever dimensions they chose to do for the committee rather than having us compile a report in which you might find you needed only 10 per cent of it, but you are really interested in something more.

4:50 p.m.

We would prefer to work with your staff and it can be ongoing. Therefore, there would be a very rapid availability of whatever information we have that will be helpful to the committee. If there questions on it, yes, we are obviously prepared to come at any time.

Mr. Renwick: I appreciate that. It reflects exactly what my wish was.

Hon. Mr. Drea: Mr. Renwick, that was my impression of it really. I just didn't want it to get too formal. If there had to be a formal request going over, because I understand that we are only one part of the work that the committee faces and I understand the limitations, I am very glad to provide that.

Mr. Mackenzie: My few questions have been cut to only two or three fairly simple ones because I think my colleague has outlined what we want, some of the actual examples and what has happened to the people. I am wondering, as one of those examples, back beyond just the last few months, whether we could have a bit

of information passed on to our staff about the results in the Prestolite case in Sarnia, as one of the examples.

Hon. Mr. Drea: That was one of the early ones that I was talking about in southwestern Ontario.

Mr. Mackenzie: Fine. I think that kind of information is what we need and I, for one, don't want to and couldn't grasp it if we tried to get into all the ramifications of pension plans or insurance. I don't think that is really the role of the committee.

Hon. Mr. Drea: The only little caveat I put on that before--that was one of the ones I was mentioning--in those cases, there were individual peculiarities within the employee composition. I just didn't want somebody to look at it and say, "If it could be done there, why can't it be done overall?"

Mr. Mackenzie: A couple of other questions: At the risk of being very simple about them, the message I get from Mr. Bentley--and it is what I think I have pretty well understood, but I just want to be sure--is simply that in the case of a plant closure and the windup of whatever pension plan was there for the employees, the ministry's role is really minimal, especially where it is a negotiated pension plan.

What is happening is that there is a divvying up of whatever might be there and your role is, as long as it is within the rules and regulations of the Pension Benefits Act, that's your concern. Am I right on that?

Mr. Bentley: That is our initial concern, that's right.

Mr. Mackenzie: And you really don't have much leeway or flexibility to make any specific changes.

Mr. Bentley: Not under the existing law.

Mr. Mackenzie: Can I ask you one other question? When a plant goes under and they are winding up the plan as a result and the employee doesn't have the age and the years of service to qualify, so he is out, what does he get back out of the plan? His own contributions, period?

Mr. Bentley: If it is a contributory plan, naturally one of the first draws on the funds of the plan has to be the employee's own contributions. That is truly one of the first draws, whether these are voluntary contributions or required contributions. In the case of an employee who doesn't qualify for vesting under the terms of either the plan or the act, then, of course, he is entitled to one of two things: the value of the benefit or the value of his contributions, whichever is the greater.

We have to look at the fact he has got to get the greater of those two situations.

Mr. Mackenzie: Could the greater, in a case like that, include part of the company's contribution, as well?

Mr. Bentley: That is correct.

Mr. Mackenzie: Does it generally?

Mr. Bentley: First of all, it depends on the kind of pension plan, it depends on the age, the service conditions of each employee. A person who has been five or 10 years in a contributory plan who is at age 30 at the time the plan is terminated, because of the long period of time before he would be eligible for a pension, usually his own contributions would buy a greater amount than the value of the benefit itself. That is what he is entitled to. The act is clear on that. He has got to get the greater of those two situations.

In a contributory plan, of course, you have a different situation because there are no employee contributions. Costs are borne by the employer, so you have a different consideration. There it is the value of the benefit at the source.

Mr. Mackenzie: The one other thing, just to be clear in my own mind; without some kind of ongoing mechanism we are pretty limited in what we are going to be able to do now, given the current kinds of arrangements we have with plants. In other words, if we don't have some central means of dealing with it, or some means of transferring the credits or the benefits one has built up and some period of time in which it must be done, there is not a hell of a lot we can do in terms of a plant closure.

Mr. Bentley: I am not sure I understand your question.

Mr. Mackenzie: Other than some kind of additional insurance, there is no way we can guarantee any kind of continuing buildup towards a decent pension plan when a plant closes.

Mr. Bentley: When a plant closes, there is nothing there to get any contributions from.

Mr. Mackenzie: There is nothing coming in any more.

Mr. Bentley: So you have to look at the situation at that particular moment in time. What a guarantee fund would do would be simply to ensure that there is sufficient money to buy the accrued benefits. We could not guarantee an ongoing situation because somebody has to pay for it.

Mr. Cureatz: I want to say that I think Mr. Renwick very ably pointed out those areas that I think the committee should be striving for. Certainly, I have been having some difficulties in conceptualizing the scope of the committee and I appreciate his thoughts.

Just one aspect for clarification: you mentioned examining those people who were being hurt and I am trying to evaluate your concept of being hurt. I see the committee looking at the effect, the result, of plant closures on those people who have put in 20 or 25 years of work getting meagre or no pension benefits at all. That is the kind of hurt I visualize, Mr. Renwick. I am just

wondering if we are talking on the same wavelength or were you conceptualizing a different area of hurt.

Mr. Mackenzie: It might even be a waste of five years.

Mr. Cureatz: Or whatever time.

Mr. Renwick: I think that is a question we are going to have to be dealing with throughout. I throw the net somewhat broader than you would. I am not suggesting that it doesn't need content given to it. The position I take--

Mr. Cureatz: That's what I am getting at, just the content.

Mr. Renwick: --is that there comes a point when a person is employed in a plant, has very significant in-plant skills that are not readily elsewhere transferrable in the event of closure, depending on all sorts of things, but not least upon the availability of employment out there, who finds that the plant has terminated; who finds that instead of expecting he could continue to work through until either the normal retirement age or the time at which he elected to take early retirement, in contrast to that, his employment is terminated, he must look for another job, he has certain limited financial benefits that come to him.

In some way, we have to equate that with what his anticipation would have been had he worked through his normal work life. Within that framework, that is what I call the hurt that is involved in it. Then I think we have an obligation to define that wrong that has been done and see what we can do to establish--as is normal, I am speaking to Mr. Cureatz more as a lawyer than otherwise--what you do to compensate by way of dollars and who makes the compensation for the wrong which has been suffered.

Mr. Cureatz: Right. That helps me, certainly in clarification of that one aspect I felt uncomfortable with when you were elaborating your three or four points that you were asking the minister to come forward with.

In regard to specifics, to help me better understand the whole the problem--and I don't want to bore the committee with them, but it will help me--Mr. Bentley, you indicated that when the package between a company and union is proposed to you and if it meets all the obligations of the legislation, there is a continuing down of the funds, as you described it. Is that the ultimate idea of final termination or is there a pensioner out there who will continue to receive some kind of pension until his death?

5 p.m.

Mr. Bentley: When I talked about the priorities, we were looking at the pensioner. He has an entitlement of, we'll say for argument's sake, \$500 a month. We will say that the pensioner is in receipt of a pension to the equivalent of \$500 a month. That is an example. One of the concerns is that we want him to at least

have that continue for the rest of his life--at least at that level.

A problem you can run into in some of the negotiated arrangements is that he, as a pensioner, is now in receipt of \$500 a month from the date that he retired. Then in the new negotiations, they increased that to \$525 a month, which creates an unfunded liability. That must be amortized over 15 years. There can be a problem if that amount has not been fully amortized because I would be saying, "Look, I am going to continue your pension, therefore I will take money away from somebody else in order to buy the full entitlement that you would have with \$525." That is a problem that comes up in certain kinds of negotiations, not all of them, but some kinds.

So when we are looking at those, we have to say: "Look, he has an entitlement to the extent funded. If there are extra bucks, he gets them, to the full amount." Or the union may come along and say, "Look, we are going to take some money away from the younger, shorter-service employees to apply it on that." That's okay with us.

Mr. Cureatz: Has there ever been a situation where you say, "We will terminate the whole scheme and the pensioner will receive some kind of lump sum payment"?

Mr. Bentley: No, you can't do that. Under the law you receive lump sum payments, either under the income tax laws or our own.

Mr. Cureatz: Mr. Taylor and I were discussing aspects that you mentioned in terms of insurance companies, if the pension is insured. Have there ever been situations where the insurance company has folded? What is done to ensure that such insurance companies meet all the necessary requirements? We have heard, from time to time, of various funds of so-called insurance companies that have gone under.

Mr. Bentley: Historically, in our experience, that has never happened since the Pension Benefits Act was started in January 1965, first under federal control under the federal department of insurance and under own department of insurance. The controls exist there and we accept the controls placed both by the department of insurance under our ministry and by the department of insurance in Ottawa.

When the insurance company meets the criteria, we have no hesitation in permitting the benefit to be bought from an insurance company and they then guarantee the payments for the duration of that individual's life, if it is a life-only pension or for the life of the two people who were covered if it is a joint survivorship option.

Hon. Mr. Drea: I think Mr. Cureatz has been looking at an insurance company that has failed. They do not fail at the point of bankruptcy. They fail far above that because there are technical insolvencies. The company still has a great deal of funds.

Mr. Bentley: The reserves are still active.

Hon. Mr. Drea: The reserves are there but they called a halt so there will be no future premium liabilities playing against those reserves. Where it is insured in that range, really, short of an absolute calamity in society, there isn't any chance of that. What he is saying to you is that in the case of the flat-benefit plan, there is that unfunded liability which is negotiated today. That is out there for 15 years to be picked up. If it was only negotiated a year ago, only one fifteenth has been picked up. If we were still back in the very old days of pensions if you were negotiating for pensions or even discussing pensions, it was a pension yet to be paid.

But some time ago there was a very sharp differentiation which is that you are not only doing that, you are also increasing, out of the same pot, pensions that are already in existence and that is your unfunded because you just divvy up what everybody is putting in, whether it is the employer or the employer/employee. But for that unfunded, you don't ask the person who is receiving the extra \$25, \$30 or \$50 a month to contribute at all. The contributions for him are ended. If it stops short of that full 15 years, you see the pressure that is put on it.

Mr. Van Horne: I will try to be brief, Mr. Chairman. The problem that we are facing here as a committee is not just to look at those who have pensions but what solutions there are for those people--I gather you say they are 60 per cent of the workers in Ontario--who are not covered by some form of pension plan.

Hon. Mr. Drea: Private, not government. It may be higher; all we did was give a ball-park figure. It is between one third and 40 per cent that are covered, so obviously the rest aren't.

Mr. Van Horne: Could you run that by me again? Roughly 40 per cent are covered by a private plan.

Hon. Mr. Drea: Yes. By a plan in connection with their employment. From one third to 40 per cent. It is not me going back and getting you a set of figures. It is a ball-park figure, Mr. Van Horne.

Mr. Van Horne: At any rate, my point was that we have to address ourselves to two different groups, as I see it. If I don't see that correctly, then somebody straighten me out.

Mr. Chairman: I think the question of the other 60 per cent, is to what extent there are other kinds of arrangements of a private nature or to what extent the Canada Pension Plan is adequate in the judgement of the employer or the employee. I think that is what Mr. Van Horne meant.

Mr. Van Horne: That's what I meant.

Mr. Chairman: What role is there for this committee--if a role at all--to address themselves to that 60 per cent, I think, is the question.

Mr. Mackenzie: They will always argue for a higher percentage of the public pension plan, which is probably the only answer.

Hon. Mr. Drea: I don't know what your role is. That is a role that you decide for yourselves. The very question Mr. Van Horne is raising is one that has been very thoroughly done, almost to the point of completion, by the Haley commission. Where the committee wants to go, because that has been ongoing, is a decision for the committee.

What we have put down on paper, which is that statement, is that we are not, as a ministry, prepared to deal with that. We are dealing with the particular problems around plant closings and employee adjustments that have developed in the last period of time.

Mr. Chairman: Can I just come in here because I know those are exactly, almost word for word, the words that you gave the Minister of Labour when he made his statement on October 14. I have been under the impression, and you can correct me if I am wrong, that you have wanted to make some amendments to the Ontario Pension Benefits Act but were waiting, as many people were, for the royal commission report. I just wouldn't think it appropriate if this committee thought the legislation you will likely come in here with soon, is as a result of some severe closings of late.

Hon. Mr. Drea: No. I have some technical legislation that I want to bring in. I am going to bring it in as part of this act, but if I understood Mr. Van Horne correctly, we are not looking at the people outside of existing pension plans.

Mr. Chairman: No, I understand that, but my impression was that there have been amendments in the works for some time.

Hon. Mr. Drea: Yes. One of them is fairly broad in scope, the other two are technical ones. The one that is broad in scope, I have no hesitation in saying because I said it in the House some time ago, is a matter of disclosure so that the person in a pension plan, at least once a year, would receive an entire breakdown of his complete entitlement.

5:10 p.m.

That doesn't put any more dollars in anybody's pocket, but I consider it to be very important, because probably the most misunderstood and yet the most essential part of life, when you get to middle age, is what exactly will be your pension. We have found at Prestolite and Canadian Motor Lamp that people had absolutely no comprehension of what they were entitled to, the ability to make choices or whatever. That has been there, the industry want it because they are faced with the same thing, that nobody understands.

That was held pending some technical amendments, which are more for the administration of the act than for anything else. They do not really come into play here.

They have loads of concepts about pensions in their totality, but the royal commission is operating under a little different type of arrangement than most royal commissions, because it is clearly understood that following the publication of the royal commission report--really it is national in scope, although it was done by the Ontario government--there will be a national conference on pensions, involving not only the provinces and the federal government, but the entire pension industry as well.

Mr. Chairman: Was that not planned for this month?

Hon. Mr. Drea: Originally it was planned for April 1980. Because of the changeovers in government from May 1979 until earlier this year, the federal minister found herself in a very difficult position. As far as she was concerned, she had inherited a conference on pensions in April. Then there was a great controversy about there being no point in having the conference until you had the report that was going to be the basis of it.

Based on the understanding that the proposed April meeting was to follow six months after the original timing of the commission's report for October 1979, I presume that six months after the publication of the Haley report there will be a national conference which will begin to deal with the problems, both in the public sector with Canada Pension and old age supplement, and in the private sector. It will also deal with the people who are not covered at all except by the government plan.

Mr. Chairman: I asked because I remember many months ago that Mr. Mackenzie had a private resolution dealing with some pension-related matters--I forget the exact time but it was six or more months ago--and at that stage of the game I and probably others thought we would have seen that commission report by now and that we might be well under way, notwithstanding this committee. It had nothing to do with this committee.

Hon. Mr. Drea: I would like to bring up one other point. When we talk about interim in here, it may very well be at that pension conference next year the wheels are set in motion so that the problems we are dealing with now and in the next while are likely to emerge in a changing industrial society even if nothing were done on the basis of a complete revamping.

I do not know what everybody is going to do, but the things that we are doing now may, with that change, turn out to be no longer needed. Therefore, they would be interim. If they turn out to be valid foundations--well, it is not only very complex, it is very costly. I think everybody wants to have pensions changed, both public and private, but there are some other impacts on them.

Mr. Van Horne: I have a couple of little technical points. Mr. Renwick had asked for a Pension Benefits Act stated in layman's terms. You indicated you could provide something. Do you have a glossary of terms that you commonly use that could be available to us?

Hon. Mr. Drea: Yes, I think we can provide that, on request, to your staff person.

Mr. Van Horne: We are already using terms, such that I have to grope around for notes to see if you are using unit-benefit plans, flat-benefit plans, how different are they, are they synonymous at certain points and so on.

Hon. Mr. Drea: We will give you a very simplified layman's explanation of what the various types of plans are.

Mr. Van Horne: When an agreement comes down to you for approval, in so far as the pension section of it is concerned, is it stated in the act that this must meet certain actuarial tests?

Mr. Bentley: First of all, there are the terms of the pension plan. Certain terms cannot offend the requirements of the Pension Benefits Act. In other words, there shall be certain vesting. A vesting requirement is 45 and 10. A plan can have a better vesting arrangement if so desired, but it cannot have less.

Mr. Van Horne: That is the lower limit, 45 and 10.

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Mr. Bentley: We have to ensure that. We have to ensure that the terms of the plan spell out the funding arrangements. The funding arrangements must be in accordance with the requirements of the law.

Regarding information to employees, the law requires certain basic information to be made available to employees and this must be contained in the plan and so on. There are a number of criteria that must be met. If they are not met, we have to ask for an amendment.

At the same time that there is an amendment to a pension plan we must be provided with a valuation of the cost of these increased or changed benefits. There is a cost attached. Even if you have a pension plan that says, "Now normal retirement age is 65 but from this date forward it will be age 62," there is a cost attached to that. We have to have this calculated because one of our concerns is that the number of bucks estimated to be needed to provide the benefits year by year must be paid into the plan year by year. So we require a report every year that the payments have in fact been made.

There are a number of criteria that flow every time there is a change to a plan. There are a number of other things that come into play all the time.

Mr. Van Horne: Once this is on stream, it has to be overseen. That is the law too.

How are the employees notified if there are any problems? Is that not your problem any more? Is that the employer's problem or the union's problem?

Mr. Bentley: If there is a problem, we go after the employer, or whoever is responsible for the plan, to cause changes to be made to meet the criteria of the law. But it is the responsibility of the employer or the prime sponsor; that is the best way I can define it. Whoever is sponsoring the pension plan

is responsible. That can be the employer, it can be a joint board of the employer and the employees, it can be a number of things. If there is a required change, then we go after these people to get the changes that are necessary to bring the plan into conformity with the requirements of the law.

We cannot go beyond that particular point. There is no way I could contact a million and a half employees in a case of this kind, or anything like that. The responsibility from that point is upon the employer to provide an explanation of the terms and conditions of the plan as it applies to the employees affected by that particular plan.

Mr. Van Horne: The reason I am pursuing this is that with the teachers' pension plan a couple of years back, it came to light that because of the actuarial evaluation process sort of falling a little bit off the rails--an assumption was made that should not have been made--it was discovered in late 1977 or early 1978 that there was a rather large unfunded liability there.

Of course, the process for catching something like that is very thorough. First of all it had to be noted in the Legislature that the Ministry of Education estimates needed a revision. There were all kinds of checks and balances in the system to make sure everyone knew what was going on.

I just get the feeling, and I have nothing much to substantiate this feeling beyond what we hear through the media, that there are some instances of rather large unfunded liabilities floating around out there with approved plans. Is that not true?

Mr. Bentley: Every time a pension allowance is amended to increase benefits retroactively, or to change retirement age, whatever they are doing which increases the cost, an unfunded liability is created.

We have to receive the amendments to the plan creating these changes; we have to approve them. We also have to approve the estimated costing arrangements, which set out the number of dollars which will look after the additional costs created by these changes to the plan over a period of time.

5:20 p.m.

If I can just mention one thing more, as well as the yearly report that is filed with us to show that the number of dollars have in fact been deposited with the trustees of the pension plan, we also require that the plan shall be valued at least every third year. This gives us a control. That is how the increase came up in the unfunded liability.

When the actuary sits down, he makes a calculation that, "In my best judgement these are the factors that will be necessary to introduce in the costing of the plan for the next three years." At the end of that three-year period he has to do a re-evaluation of the situation. If he finds that all of the assumptions that he has used have been realized, then everything is fine. But if he finds that he was, shall I say, a little bit over optimistic in the rate

of return he will see on assets, there is an experience deficiency.

Under law that experience deficiency has to be funded by the employer in a period of time of not more than five years. In other words, because there has been an experience loss in the interim between the valuation now and the valuation in the future, the employer has to make that up over a very short period of time.

Mr. Van Horne: We know that plant closures are the result of a combination of factors. In how many of the cases that you deal with would you find an employer saying, "It was that damned pension plan that broke us"? Is there much of that in your day-to-day experience?

Mr. Bentley: No, I do not find much of that. Back when the Pension Benefits Act first started in 1965 and 1966, it was brought to our attention that "The damned Pension Benefits Act is causing us problems," and so on. Now I do not find that same situation coming up. It is usually an economic circumstance that is not necessarily attached to the pension plan. The pension plan was only one part of it.

Hon. Mr. Drea: It would be pretty difficult to blame it on the pension plan when the pension plan, regardless of what type it is, has been merchandised to the employee as something in lieu of direct wages. It would be very difficult to say that it was the pension plan that the employer chose in lieu of direct wages that put him down, because if he had not paid it in that direction he would have paid it in another direction.

Mr. Van Horne: That is what I was hoping you would say, because that is sort of a myth that prevails.

Hon. Mr. Drea: Don't get me wrong. There are all kinds of people who say they do not want to do business because of damned pension plans. They are the kind of people who could not do business anyway.

Mr. Williams: I have a supplementary on the point of the three year re-evaluation. I was not clear whether that is a statutory requirement or an administrative practicality.

Mr. Bentley: It is a statutory requirement. They must value the plan at intervals of not more than three years, and that valuation must be filed with us and be approved by us.

Mr. Williams: I suppose that is one of the many considerations that are being reviewed by the commission and conceivably could be involved in your own immediate amendments.

Hon. Mr. Drea: But the royal commission, bear in mind, is operating far beyond even arm's length from us, so when you say "presumably," and I qualify virtually everything I say with "presumably," I have not seen a report and I do not know what they are doing, but it would make common sense to believe that the commission would be addressing the subject. What its conclusions are, I do not know and I am not in a position to know.

Mr. Williams: Mr. Bentley, just on this one point--

Mr. Chairman: Excuse me. Mr. Mackenzie was on the list. This supplementary is leading into--

Mr. Williams: Yes. This is still the supplementary on the three-year factor.

Mr. Chairman: I will decide that.

Mr. Williams: You mentioned the five-year period. I was not clear as to how that tied in with the--

Mr. Chairman: Mr. Mackenzie, Mr. Williams is next.

Mr. Williams: The five-year period: Let me get this point clear, will you please?

Mr. Chairman: Mr. Williams, one question became three.

Mr. Williams: Let me get this three- and five-year factor cleared up.

Mr. Bentley: It is very simply this. When a plan is valued it must be valued at least at intervals of not more than three years. The actuary estimates that certain experiences will take place in the future in the next three years. Then he has to measure that. When he measures, if he finds that he has had an experience gain, everything is lovely. If he finds he has an experience loss, then we say under laws of the employer: "There is an experience loss. That loss must be amortized over not more than five years." It is separate and distinct from the unfunded liability. That continues anyway.

Mr. Williams: That is where the five-year comes in.

Mr. Bentley: That is where the five-year comes in.

Mr. Chairman: Mr. Mackenzie--and there are no other members on the list to ask questions after this.

Hon Mr. Drea: George was on the list. I was here and I remember.

Mr. G. Taylor: I thought I was on the list.

Mr. Chairman: It's all right. Mr. Mackenzie and Mr. Taylor.

Mr. Mackenzie: I did not intervene while Mr. Williams was talking simply because I would like to change it from the pension entirely for just a minute if I can, to the minister, and that is simply to ask the minister if his ministry plays any role, other than the problems with pensions whatsoever in terms of decisions regarding a plant closure or a major closure that may hit us in Ontario.

Does the Ministry of Consumer and Commercial Relations have

any input into discussions? Are there any discussions with your ministry over the product line possibly, the availability of it, what it means to consumers in the province? Is there any role at all, barring pensions, that your ministry plays at the time of a plant closure? Any consultation or advice asked for?

Hon. Mr. Drea: I would have to say to you, no, unless it was an industry that operates within my specific regulatory sphere. By that I mean, for instance, the insurance industry, for rather obvious reasons, because the wind-down provisions in the Insurance Act are carried out by the ministry. But if you are talking about other than financial industries, I would say no.

There would be the alcohol industry. The alcohol industry, beverage alcohol--oh, yes. It is no secret we are responsible for keeping one beverage alcohol company going.

Mr. Mackenzie: That being the case--

Hon. Mr. Drea: But if you are talking about a car company or something, no.

Mr. Mackenzie: It may not be the best example. Let me use it only as an example. I am not pinning my case on this particular case. Supposing we have three firms in Ontario that are major manufacturers of a certain line of goods and that supply the market. One of them, for reasons of its own, decides to close down totally.

Hon. Mr. Drea: Leaving the market to two?

Mr. Mackenzie: Leaving the market to the two of them, and it intends to continue to get its share of the market through a warehousing operation or what have you, which obviously has some effects, both on unemployment in terms of the plant that closes and also in what we have got to pay to import the stuff.

Would you see that as being something that is really beyond your ministry and something that is more a cabinet decision, or some other ministry's decision, or is it not something that could legitimately be within your ministry's concern?

Hon. Mr. Drea: It would not be within the direct responsibility of the ministry. It is a hypothetical case, Mr. Mackenzie. I think what would happen is that, on the basis of being acquainted with what was happening, we would want to make some representations, in that case, probably to the federal government. Whether they would be done jointly with the Ministry of Industry and Tourism or the Ministry of Transportation and Communications, or somebody who was also concerned but did not have the responsibility either.

5:30 p.m.

Mr. Mackenzie: Supposing it was a one-of-a-kind firm or operation that meant that we then no longer had the capacity in terms of Ontario to supply those particular goods, would that not be a concern in your ministry?

Hon. Mr. Drea: Yes, it would be a concern. But I would think you would find in a case like that it would be primarily the concern of Industry and Tourism which might consult with us, but would carry the ball on the particular representation that was being made.

Mr. Mackenzie: But to this point, your initial answer is, other than where it affects your ministry such as insurance, there is no real input that you have into a plant closure decision?

Hon. Mr. Drea: There is beverage alcohol because we're part of the industry. Even in regard to pensions, I want to make it very clear that we are not consulted necessarily by the firm before they close. Not necessarily--there are occasions when a company is going belly up or something when their trustee will come in and say the trustee has been told and that is more for the ramifications within our responsibility of the closing than the closing itself.

Mr. Mackenzie: Let me ask the minister another question. It may be not totally fair, but I think it relates to the whole area that we have got to discuss. That is simply, does he see the early notification or disclosure as the kind of economic threat to a firm that they usually argue?

In other words, if a firm is required to give a much longer period of notification of plans to shut down, does the minister see that as a problem for the industry involved? I am saying that because the argument we usually get is, "If we give longer notice of our plans or intentions, we somehow or other threaten our competitive picture and we may intend to continue supplying the market from some other corporation or what have you."

Hon. Mr. Drea.: Oh, no. You know my view on the thing, and I know something about industry, is if an industry is planning to close, everybody in the associated field knows it is planning to close. If there is an argument, "We want to withhold it until the eleventh hour because that will keep at least our competitive position going so we can do better for people on the closing," everybody in the world out there who is associated or pretty close to the affair knows. I think all notification does in many cases is confirm the absolute and worst fears of the people most affected, who are the employees.

Mr. G. Taylor: After some considerable time, we have got a very simplistic approach to a problem, and that is as it should be. In approach to every problem, you have the existing legislation and plans that are in existence. Naturally, I assume over a period of time, that all the present plans, programs, however they have been created, are, and have been, in accordance with the existing legislation. We will take that as a fact.

The next situation is, naturally, as Mr. Renwick though in broad terms has described--

Hon. Mr. Drea: If I could just put a little thing in: subject to our interpretation of that legislation.

We have had some quarrels about that.

Mr. G. Taylor: That is where we get to the next phase of what I am talking about. You have got the existing examples we have asked you for. That will be a number of examples that have currently come to light. Mr. Renwick referred to those as people being hurt by those examples. Naturally some people, in our terms, may not be hurt in accordance with the precise words of the existing legislation as some people have interpreted it.

There will be other people who will be hurt or you might come to some suggestion they have been hurt as you have maybe interpreted the legislation. But then we have to go one phase further. If we are going to decide on who has been hurt--and you may have one interpretation and the committee may have one interpretation. We all may have a different interpretation as we go around the table as to who might have received something less than he had bargained for or they had planned upon. I guess that is an assessment that we must make as a committee.

But if we are going to have the existing legislation as you think it is, the examples we have asked for, before we can proceed with any conclusion, though, we have to have one further feature. You may not be able to give it at this time within the confines of cabinet deliberation, et cetera.

What exact amendments will you be making? Without giving us the amendments, what ones will you be looking at right now as suggested amendments? You have one here in the minister's statement, but how many more so that we do not head off down the alley that is saying: "Hey, here is what the situation is that is not taken care of. Is the minister going to take care of that particular situation?"

At this time, when you give us the summary of the existing legislation, the examples, can you set out areas of the present statute that you will be amending, not the precise amendments, but the ones that you will be amending so that we know that something will be looked after in that particular situation? Can you do that at this time?

Hon. Mr. Drea: Do you mean right now?

Mr. G. Taylor: Not now, but when we put these patterns together so that the committee can say: "We can come to a conclusion. It might be the way we want it looked after, but an amendment will be forthcoming to solve that problem."

Hon. Mr. Drea: I think if we--and I am not concerned about Mr. Renwick's definition of "hurt." I think I understand what he means. I think broadly-faced, which is about all I can do on this given date, the list of hurts which have common denominators throughout, obviously we have to address by amendment.

Mr. G. Taylor: Will we be getting any advanced knowledge then of what you have classified as those particular hurts?

Hon. Mr. Drea: Yes. As rapidly as your staff member and

Mr. Bentley can put them down on a piece of paper.

Mr. G. Taylor: Then you will be co-ordinating those, particularly under the pension benefits, because there will be some which will be outside the pension that we will describe as hurts, which you cannot--

Hon. Mr. Drea: I was under the impression that--I hope I am right--what Mr. Renwick was talking about was hurts under the Pension Benefits Act.

Mr. G. Taylor: Not hurts in the general social significance of the problems that these different individuals have come about as a result of the closings.

Mr. Renwick: In the discussion today, I was talking about who gets hurt on termination of pension plans in the event of plant closures. That was the context in which I spoke about the term and then I responded to Mr. Cureatz in that same framework. But that will come up in other areas, of course.

Hon. Mr. Drea: That is what I understood, within the pension benefits area.

Mr. G. Taylor: Will we be able to delineate positively those sections of the act that you will be addressing yourself to?

Hon. Mr. Drea: They are not sections of the act. When we say we are talking about amendments to the Pension Benefits Act, these are additions, which might be a better word. It is just legalese to say amendments to the Pension Benefits Act. They are really additions because these hurts obviously are not addressed by the Pension Benefits Act at this time or they would not be hurts.

Mr. G. Taylor: Your colleague addresses them as introducing amendments without being too particular.

Hon. Mr. Drea: No, but the legalese for any changes to an act says amendments. These are not changing necessarily existing sections. These are additions.

Mr. G. Taylor: That's all at the present time.

Hon. Mr. Drea: Obviously, a guaranteed fund. There is none. Obviously, it is a significant addition to the act.

Mr. G. Taylor: You have laid out one example. Again, will we be getting more of these to diminish the work of this committee somewhat, or at least to set us along the right direction?

Hon. Mr. Drea: You are going to get them all. It is what Mr. Renwick asked for. This is what the committee wanted, if I understood it correctly. Maybe I did not, but I thought it was rather self-explanatory. They wanted a list of all the terminated pension plans in the province. Then, from that, a culling out of the ones for plant closings. And a list of the hurts, to see if

there was a common denominator; that hurt A is pretty common in every one of these circumstances, if that is true.

5:50 p.m.

That is on the basis of what we were going to address, and as I said, if, when information comes back through your committee staff to you it is really not what you wanted, you just ask beyond that. We will provide your staff or anybody else with as much data as we have.

All I wanted to do was to try and set up--and I think this is what Mr. Renwick had in mind--a rather rapid exchange of information, rather than this formal business of coming back a week Wednesday. If this committee was going to function for five years and bring in a report, then you do it the formal way. But I thought we could save some time and what have you.

An hon. member: We could replace the company law committee.

Hon. Mr. Drea: Well no, I need the company law committee for other aspects of my work. I don't want that replaced.

Mr. Van Horne: I have a very brief question. There was a conference held in Alberta, I gather, the third week in October, and a suggestion that came out of that, from John Corp, of Winnipeg, was that the provinces run the pension plan as opposed to the Canada pension plan. Were you at that conference?

Hon. Mr. Drea: No.

Mr. Van Horne: Do you know what transpired and what the proposals were? So you cannot comment? It has not had universal acceptance I take it.

Hon. Mr. Drea: You see the Canada pension plan really does not have terribly much bearing on the work of this committee, because it is something you get at 65 and how it is funded or how it is administered is beyond the scope of your individual employment, I guess.

Mr. Van Horne: But there are proposals in this conference, one of them being that private industry would be allowed to opt out into better schemes, et cetera. So I would take it that they were selling this aspect of--

Hon. Mr. Drea: I think this is more germane to the work that the Haley commission has been doing because they have been trying to take a look at the whole pension matter, government as well as private. I think one province does run the pension plan, there is the Quebec pension plan.

Mr. Van Horne: There is also a suggestion that portability be provided by setting up central agencies in each province to collect contributions and invest them (inaudible).

Hon. Mr. Drea: That is a very gut question, but I doubt

if it is going to be addressed by your committee. That is what I am talking about, some of the things that in the future might make whatever we do in the short term no longer necessary.

Mr. Chairman: No further questions?

Mr. Minister and Mr. Bentley thank you, particularly for coming under short notice. You have been most helpful. I think the committee now feels comfortable in pursuing this matter through our staff and people you might recommend within your ministry to provide us with the fairly fast background material that we will need.

Do you have any closing observations?

Hon. Mr. Drea: It may not always be possible for Mr. Bentley to attend. If there are times when direct dialogue would be a benefit to the committee, we have staff people who have the expertise who, I think, can be of assistance to the committee. And it is our undertaking to make the exchange of whatever information you want, as rapid and as flexible as possible so that the committee in its totality can be informed. We are under the same time constraints as you are.

Mr. Bentley: I would like to know the contacts so that I can at least alert my staff. Tell me who they are and we will set something up as quickly as we can.

Mr. Chairman: We will give you that right now sir. Thanks again very much for your time.

Mr. Van Horne: I think there is a need to discuss our future time commitments.

Mr. Chairman: This committee will meet tomorrow, Tuesday, following routine proceedings, with the minister and people from the Ministry of Labour, I believe. As you know because we have the agenda in front of us, we meet Wednesday at 10 a.m. with the minister and people from the Ministry of Industry and Tourism.

I hope that the subcommittee, which was agreed to earlier today, will be able to meet for breakfast this Wednesday at 8 a.m. in the members' dining room. That is Mr. Renwick, Mr. Mancini, Mr. Ramsay and myself.

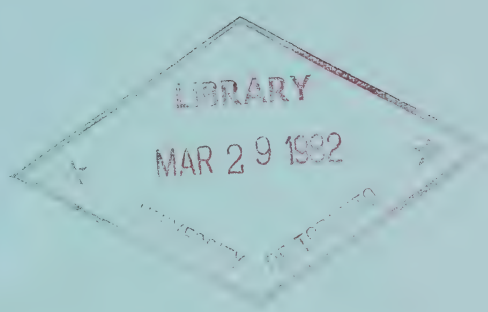
Mr. Ramsay is not here, so I will undertake to find him. Mr. Williams has a bad morning on Wednesday, but he has agreed to be there in the absence of Mr. Ramsay for at least one hour if he can. But I will undertake to find Mr. Ramsay in the meantime. And Rick and Graham have both been asked to attend that meeting. We have three or four outstanding matters I hope we can finalize at breakfast.

Mr. Renwick: We meet Wednesday morning for breakfast.

Mr. Chairman: Yes. Anything further? Adjourned until tomorrow afternoon after question period.

The committee adjourned at 5:47 p.m.

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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

EMPLOYMENT STANDARDS ACT

TUESDAY, NOVEMBER 4, 1980

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Clerk: White, G.

Researcher: Jennings, R.F.

From the Ministry of Labour:

Armstrong, T.E., Deputy Minister

Elgie, Hon. R., Minister

Ignatieff, N., Assistant Deputy Minister,

Program Analysis and Implementation

Scott, J.R., Director, Employment Standards Branch

Whittingham, F., Director of Research

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, NOVEMBER 4, 1980

The committee met at 3:30 p.m. in room 151.

EMPLOYMENT STANDARDS ACT

Mr. Chairman: We have a quorum. I will call the meeting to order.

We decided by motion yesterday that the subcommittee would meet tomorrow morning at 8 a.m.

I would like to introduce our consultant, Rick Jennings--by the way, I want the minister and his people to know Mr. Jennings--and Graham White, our clerk, because when we first had an opportunity to meet we did not have these gentlemen aboard. I hope there will be some communication between your respective offices.

After a fast start yesterday I know that Rick Jennings is in the process of getting together some material regarding the pension matters we discussed for the committee's learning process at this stage of our proceedings.

I want to make this clear. A number of fellows on the committee indicated to me they would also like to attend the breakfast tomorrow. I see no problem with that; in fact, if it is agreeable, I would like to extend the invitation. As you know, Rick and Graham have been asked to come. If any other member of the committee would like to, we will meet at eight o'clock in the members' dining room.

Mr. Renwick: How many have asked? I am very curious about this.

Mr. Chairman: Ron Van Horne and George Taylor both asked yesterday.

Mr. Ramsay: Mr. Chairman, I have a suggestion or, if necessary, I would be prepared to make a motion.

I note that yesterday the Honourable Mr. Drea was in attendance. I am sorry I was not able to be here. Today we have Dr. Elgie and tomorrow I understand we are going to have Mr. Grossman. I think this is a good idea, but there might be one more minister who should be asked to address us, particularly so in this preparatory week--the Treasurer, the Honourable Frank Miller. I was wondering if an invitation could be extended to him for some convenient period this week.

Mr. Chairman: That is a good observation; in fact, the Treasurer was not suggested earlier. I think we could make a good

case that he fits as someone we should hear from at this stage of the game.

Mr. Ramsay: I am prepared to make that a motion.

Mr. Mackenzie: If we had any indication at all that he is any more involved in the planning than Mr. Drea is, it would be useful. Certainly Mr. Drea or his ministry is not involved in any of the planning.

Mr. Turner: I think the Treasurer would be central to any decisions being made. I would be happy to second that. No objections.

Mr. Renwick: I would like some clear statement as to what you think the Treasurer could add to the deliberations of the committee. Were you thinking of having him relatively soon? I thought he was engaged, working on some job-creation project.

Mr. Turner: That is the very point. I think it is important we have the benefit of his thinking and what he is doing, in order to reach some conclusions.

Mr. Ramsay: Early in the piece too.

Mr. Turner: That's right. I have no idea what his schedule is.

Mr. Chairman: If it is agreeable, I would ask the clerk to phone at least and send a note, as we did in the case of the other ministries, and ask the Treasurer and whoever he may wish to accompany him to attend at a meeting.

Mr. Renwick: Mr. Chairman, I am not trying to be awkward or difficult about it, but should we ask whoever makes the contact with the Treasurer to ask the Treasurer whether or not he thinks he has anything to contribute to the work of the committee? There would be no point in our going through some courtesy operation in some general way.

If he feels he has some concrete, positive things to say to the committee then I would welcome him, but without that we do not have the time at our disposal to go through all the rituals of courtesies.

Mr. Turner: I would not see it as a courtesy, with all respect. I think he could very clearly give us some direction. I do not disagree with Mr. Renwick's proposal that you consult with the Treasurer first. I am sure he will have something very major to contribute.

Mr. Ramsay: My suggestion was not made as a courtesy. I think it would be very worthwhile to have him here.

Mr. Chairman: In the interests of time and unless there is some further objection or clarification, is it the committee's wish that I contact the minister and indicate that, with what has transpired to date, if he feels he or his staff can make a

contribution to our deliberations we would extend the invitation to meet with us?

Agreed.

Mr. Chairman: If there are no other matters before the committee, can we now direct our attention to the minister and the deputy, and Mr. Joyce?

Hon. Mr. Elgie: No, this is not Mr. Joyce. This is John Scott.

Mr. Chairman: I'm sorry. We did meet on the equal pay matter.

Hon. Mr. Elgie: If I might, your letter to me of October 30 requested that I attend to provide a summary of existing legislation on plant closures and any background information on the Employment Standards Act and related statutes. You also invited Mr. Joyce to be here, but unfortunately he had previous commitments; however, he will be pleased to attend whenever you wish him to.

Mr. Chairman: Fair enough. You know, we got off to a fairly fast start last Thursday and I guess the letters were in transit on Friday. We very much appreciate the fact you could meet with us at this short notice. As an illustration, yesterday was a bit of a briefing on the complexities of the existing pension legislation. There was some general discussion about that area of the committee's mandate.

Would you like to start off with a statement or do you want to respond to questions? We are looking for some guidance as to the existing employment standards legislation and other related matters.

Hon. Mr. Elgie: Mr. Chairman, first of all, let me introduce Tim Armstrong, the deputy minister, and John Scott, whom you already referred to as the director of employment standards.

I have an apology to make. The staff, following your request, worked all weekend and have busily prepared a two-volume briefing book for the committee, but unfortunately it has not arrived. We are trying to find out where it is.

Mr. Chairman: Yes, it has. There are all kinds of them here.

Hon. Mr. Elgie: Would you distribute them, please?

Mr. Chairman: Thank God you didn't have a week.

Hon. Mr. Elgie: Mr. Chairman, subject to your approval, I could comment on the employment standards legislation and layoff practices in the province, the 13 pages that are the introduction to volume one. There are also two or three pages relating to practices in other provinces. If you think that is appropriate, I

could just run through those and then you could proceed with the questioning from there.

Mr. Chairman: I think that is agreeable.

Hon. Mr. Elgie: In volume one, the index refers to the matters covered, "Legislation, Procedures and Experience Pertaining to Layoffs in Ontario." The index is self-explanatory, including "Ministry of Labour legislation," "Ministry of Labour's procedures and activities pertaining to layoffs," "statistics on layoffs," some tables and some appendices for the background information of the committee.

If I could just read these few pages to you:

"The advance notice of termination legislation became effective on January 1, 1971, as part of the Employment Standards Act. Ontario was one of the first jurisdictions in North America to develop provisions calling for advance warning to be given by employers to employees facing impending loss of employment. The purpose of the termination legislation is to facilitate job search and adjustment of personal affairs by terminated workers; and, with respect to mass terminations, to provide time for government action to assist worker and community adjustment.

"Labour market adjustment assistance programs, such as mobility grants, counselling, manpower training and labour-management employment adjustment committees are administered by the federal government through the Canada Employment and Immigration Commission (CEIC). As well, the commission administers the unemployment insurance program.

3:40 p.m.

"The current legislation providing advance notice of termination of employment is contained in the Employment Standards Act, 1974...and regulations...The legislation contemplates two types of termination--individual and mass. In the former case, the amount of advance notice required to be given to an employee who is being terminated is determined by the length of service with the employer...: one week's notice for a period of employment of at least three months but less than two years; two weeks' notice from two years but less than five; four weeks' notice from five years but less than 10; eight weeks' notice if the period of employment is 10 years or more.

"Notwithstanding the above requirements, if 50 or more employees are terminated at an establishment within any period of four weeks or less, the amount of advance notice required is dependent upon the number of employees...who are being terminated...: eight weeks' advance notice for 50 to 199 employees terminated in any four-week period; 12 weeks' advance notice for 200 to 499 employees terminated in any four-week period; 16 weeks' advance notice for 500 or more employees terminated in any four-week period.

"An exception to the mass notice requirement is permitted for terminations that are not as a result of partial or complete

permanent closures and which affect 10 per cent or less of the work force in any four-week period on the grounds that very large companies may experience normal variations in employment exceeding the number of employees which would otherwise require mass notice. In this case, notice is required to be given on an individual basis as provided by section 40(1) of the act.

"Notice of termination of employment must be given to an employee in writing and either given to the employee in person or sent to him by registered mail. In situations where terminations are determined by a company seniority system, notice of termination may be served by posting a list of those persons first identified to be terminated along with their seniority dates and job classifications.

"Notice of termination of employment is not required to be given to an employee who is laid off on a temporary basis, generally not more than 13 weeks in any 20 consecutive week period. A temporary layoff can extend beyond this 13-week period if the employee continues to receive payments from his employer, or has payments made on his behalf to pension or insurance plans, or receives supplementary unemployment benefits (SUB). The director of the employment standards branch of the Ministry of Labour also has the authority to extend a temporary layoff and may stipulate the time in which the employee must be recalled. Other situations in which notice of termination is not required are identified in section 40(3) of the act, and section 2 of regulation 251.

"An employee to whom notice is given is entitled to receive at least his regular wages throughout the notice period, whether or not there is work available for him. Where the required notice of termination is not given to an employee, the employer must provide pay in lieu of notice of an amount equal to the wages that the employee would have received during the notice period.

"The minister has announced that amendments will be introduced to ensure the continuance of employer contributions to employees' benefit plans throughout the statutory notice period where employees are terminated without the required notice.

"In all situations where mass notice of termination is required...the employer must, at the same time that the notice is given to the employees, inform the minister in writing... This is an important provision as the requirement to notify the minister supports the monitoring activities of the ministry, described in more detail in section 2.

"Where an employer is required to give mass termination notice, he must also co-operate with the minister in any program that is designed to assist the affected workers find alternative employment... While some use has been made of this provision to obtain the co-operation of employers in adjustment programs, the power to enforce co-operation in situations of noncompliance is doubtful"--according to our legal counsel. "More specifically, the power to require employers to participate with employees or their representatives in joint initiatives, including manpower adjustment committees, is doubtful, nor is there presently power

to require employer contributions to such activities. The minister has announced that an amendment will be introduced giving specific authority to require employers to participate in and contribute to the funding of committees established to assist workers affected by mass termination.

"Ministry of Labour's procedures and activities pertaining to layoffs:

"The employment standards branch of the ministry administers the termination provisions of the Employment Standards Act. The employment adjustment service of the branch is responsible for monitoring mass layoffs and terminations, explaining the requirements of the legislation to the ministry's clients and participating in adjustment programs.

"Enforcement of the provisions is carried out by the 10 regional offices of the branch. This involves investigation of specific complaints on such matters as to whether the required notice or pay in lieu had been given by an employer. In the first six months of fiscal 1980-81, for example, 962 employers were assessed for termination pay on behalf of 1,393 employees for a total of \$729,784.

"The employment adjustment service was established by cabinet in June 1972, following closely upon the 1971 amendments to the Employment Standards Act dealing with termination. While the Canada Department of Manpower and Immigration carried prime responsibility for programs related specifically to employment, it was believed necessary to establish such a service within the provincial government to ensure close co-operation of appropriate federal and provincial programs, and to avoid duplication of services. In 1974, Ontario began to contribute financially to the federal adjustment programs by becoming a signatory to joint manpower consultative committee agreements described in more detail below.

"A primary function of the employment adjustment service is to obtain information on mass layoffs and terminations. Information on layoffs of 50 or more is provided by employers pursuant to section 6 of regulation 251. In addition, information is collected on terminations of 25 or more employees and temporary layoffs involving large number of employees by means of contacts with employers, unions, other government agencies and from information in the media. This information is used to ensure that individual employers are aware of their obligations and that other government agencies are made aware of planned terminations and can bring to bear applicable assistance programs.

"Where the adjustment service becomes aware of a specific termination, information is verified by telephone and frequently by meetings with the company and/or union officials. Information sought includes the reason for the decision, the timing of the layoffs, numbers of hourly and salaried employees involved, the benefits available to employees, potential for employment in other facilities, et cetera. The officers of the adjustment service will frequently arrange meetings between the minister or senior officials of the ministry and company and employee groups to

ascertain if alternatives exist to closure or job loss, and if government programs such as those administered by the Ministry of Industry and Tourism could be of use. Officials from Industry and Tourism are also frequent participants in these meetings. The Minister of Industry and Tourism and his officials are of course also in direct contact with these companies. An important additional purpose of such meetings is to ensure that legislated obligations and rights are understood and to encourage the establishment of manpower adjustment committees.

"A major part of the adjustment services' monitoring activity is liaison with other government agencies, especially the Ministry of Industry and Tourism and the Canada manpower consultative services. The adjustment service maintains a close relationship with the Ministry of Industry and Tourism and shares information on all known potential and actual large-scale layoffs and terminations. Whenever the employment adjustment service becomes aware of a potential or actual layoff or termination, the Ministry of Industry and Tourism is immediately informed by telephone and a follow-up written report is sent to them the same day. Any information received by the Ministry of Industry and Tourism is similarly passed on to the employment adjustment service.

"Individual Ministry of Industry and Tourism field officers are consulted on specific cases in their geographical area and their sector specialists are contacted in situations requiring more detailed information on a specific industry or on the applicability of a special program such as a loan from the Ontario Development Corporation.

"Another function of the adjustment service is to act as an information source for its clients--employers, employees, unions, et cetera--concerning the termination provisions of the legislation. Areas of concern include whether the layoff is temporary or permanent, whether the individual or mass provisions apply, the amount of notice required, the rights of an employee consequent upon notice, et cetera.

"Through the adjustment service, the ministry participates in the employment adjustment program of the Canada manpower consultative service (CMCS). This program in turn draws on the broad range of federal programs administered by CEIC supporting the adjustment process: income maintenance, counselling, the provision of training support, mobility grants, job creation programs and placement. The purpose of the specific adjustment program administered by CMCS, and the incentives available through it, is to facilitate joint labour-management research and planning to accommodate manpower adjustments required by technological or other change. Emphasis is placed upon the responsibility of the employer for adjustment measures. Where an employer agrees, a committee is established between the employer and his employees with an independent chairman. The relevant government agencies act as advisors to such a committee.

"The committees are of two kinds: developmental committees dealing with company expansions, technological change, training programs, et cetera (with which the Ministry of Labour does not

usually have a financial involvement); and termination-related committees."

I might say that the relationship of the committees is about 50-50. We see as many that are related to expansion or other things as we do to closures.

3:50 p.m.

"The latter"--the termination committees--"deal with manpower placement due to cutbacks, closures and relocations, et cetera. The Ministry of Labour is a financial as well as a signatory party to this type of committee. The amount of the ministry's financial contribution can vary, but it is usually between 15 to 25 per cent of the committee's costs, to a maximum of \$1,000. The ministry's budgeted commitment for this purpose in 1979-80 was \$60,000. Statistics on the numbers of committees established in 1979-80 are presented in appendix B. In more than half of the mass termination cases involving a complete closure, a committee was formed. The federal authorities, through the manpower consultative service, contribute to and serve on every committee established under the manpower assessment incentive agreements. A Canada manpower consultative service field officer attends all meetings and must approve all committee expenditures.

"Areas of the provincial government can also be directly involved, such as the manpower training branch of the Ministry of Colleges and Universities. The proposed interministerial field teams announced by the minister on October 14 will increase the nature of the extent of provincial support to the adjustment process.

"The results of adjustment committees' activity are described in appendix C. This shows that in the last year 60 per cent of employees who sought assistance from a committee were successfully placed.

"Statistics on layoffs:

"In this section information on layoffs compiled by the Ministry of Labour and the Canada Employment and Immigration Commission are briefly reviewed.

"Nature of layoff data compiled by Ministry of Labour:

"The regulations under the Employment Standards Act require employers to report to the minister permanent and indefinite (more than 13 weeks) layoffs that involve 50 or more employees within a four-week period. In addition to this information, the ministry's employment adjustment service also endeavours to collect on a voluntary co-operative basis information on permanent and indefinite layoffs that involve 25 or more employees. It must be stressed that the Ministry of Labour's data excludes: (i) layoffs that involve less than 25 employees, and (ii) all temporary layoffs (layoffs of 13 weeks or less).

"Ministry of Labour statistics on permanent and indefinite layoffs:

"As shown in table 1, where information is presented for each fiscal year since 1974-75, permanent and indefinite layoffs that involve 25 or more employees have fluctuated markedly from year to year. These layoffs reach their highest levels in fiscal years 1976-1977 and 1979-80 respectively.

"With respect to the sources of these layoffs, partial plant closures and general cutbacks have always accounted for the largest number of layoffs. The number of complete plant closures recorded by the employment adjustment service last fiscal year was 68, slightly less than the highest level of 73 cases reported for fiscal year 1976-77.

"Ministry of Labour statistics on layoffs for the period January to September of this year are presented in table 2. For this period it is possible to show general cutbacks and partial closures in separate categories.

"Total permanent and indefinite layoffs for the first nine months of this year were 25,430. An important factor underlying these layoffs has been the cutbacks by automotive and automotive parts manufacturers. Of the total permanent and indefinite layoffs, 16,832 are in the general cutback category."

I draw your attention to the fact that that 17,832 in your notes should be 16,832.

"During the same period there were 56 complete closures that affected 7,390 employees and 11 partial closures with 1,208 employees affected.

"The number of workers on indefinite layoff (13 weeks or more) has increased significantly during the first nine months of this year compared to last year. During 1979 these totalled 8,881, whereas between January and the end of September this year those on indefinite layoff totalled 16,807. However, those who lost employment as a result of permanent and partial closures involving 25 or more employees will not be substantially higher this year compared to last year. Last year 8,587 workers were affected, while from January to the end of September this year the number of workers affected is 8,623.

"Overall, there has not been a large increase in unemployment in Ontario. As shown by Statistics Canada's labour force survey, the 12-month average unemployment rate in 1979 was 6.5 per cent (280,000 unemployed). As of September this year, the seasonally adjusted unemployment rate for Ontario was 6.7 per cent (290,000 unemployed).

"Comparison of Ministry of Labour and Canada Employment and Immigration statistics on layoffs:

"In table 3, information on layoffs for the period January to September of this year compiled from Ministry of Labour reports and Canada Employment and Immigration Commission reports is compared. As already noted, the Ministry of Labour figures exclude temporary layoffs (13 weeks or less). They cover only permanent and indefinite layoffs that involve 25 or more employees. In

contrast, Canada Employment and Immigration figures cover all types of layoffs (temporary, permanent and indefinite) and all sizes of layoffs.

"Given the difference in coverage, one would expect layoffs by the Canada Employment and Immigration Commission to be much higher than the Ministry of Labour's report on layoffs. For the period of January to September of this year, the Ministry of Labour reported 25,430 permanent and indefinite layoffs. In comparison, the Canada Employment and Immigration Commission reported 146,681 layoffs and, of these, 129,723 were temporary layoffs."

Following that, Mr. Chairman, we have table 1, referring to known permanent and indefinite layoff cases that involve 25 or more employees; and table 2, which deals with known permanent and indefinite layoff cases that involve 25 or more employees and number of employees affected. On table 2, if you would not mind, under "general cutbacks," change 17,832 to 16,832, the same correction I gave you earlier.

Table 3 deals with information on layoffs compiled by the Ministry of Labour and the Canada Employment and Immigration Commission, January to September 1980.

Mr. Chairman, I do not know if you want me to complete my presentation with three pages from volume two dealing with layoff legislation in other portions of Canada.

Mr. Chairman: Mr. Minister, let me ask the committee whether at the stage of the game there is a wish to ask some questions and, if that were the wish of the committee, each of us would endeavour to keep our eye on the clock so that you could proceed with the second part. Is there any comment on that?

Mr. Cureatz: Mr. Chairman, knowing the ways of the committee, if it is only three pages I think it would be worthwhile to complete it, and then we could have the full ambit for questions afterwards.

Mr. Chairman: Fine. Carry on please.

Hon. Mr. Elgie: Well then, volume two:

"Layoff Legislation in Other Jurisdictions.

"Canada.

"Notice provisions:

"All jurisdictions in Canada, with the exception of New Brunswick, have advance notice legislation governing individual terminations. In four cases (Alberta, Newfoundland, Prince Edward Island and federal) the notice periods are relatively short, with the maximum notice period specified being no more than two weeks. In Manitoba, the notice period required is equal to the length of the pay period"--whatever that may be. "The remaining provinces provide for the length of notice periods to be graduated according

to the length of service of the individual employee involved. Although the length of service 'cutoff' points for notice eligibility vary from province to province, no jurisdiction goes beyond the eight-week maximum contained in the Ontario legislation." That is individual severance notice.

"Six jurisdictions (Ontario, Quebec, Manitoba, Nova Scotia, Newfoundland and federal) make provision for additional notice (to the employees and/or to government authorities) in mass termination situations."

If I may just comment for a moment on the Quebec legislation, Mr. Chairman, I think it is interesting to note that although, frankly, I had thought their legislation said one thing, I find it does not. It requires not that employees receive certain pay according to the number being dismissed, but rather that the minister be notified. Once the minister is notified, the payment required is the individual payment and it runs from one week, two weeks, one month.

In other words, in Quebec, contrary to what I had expected and thought in the past, the two-month, three-month and four-month notice required, depending on whether there were 10 to 99, 100 to 299, or 300 or more, does not refer to any mass termination notice to the employee, but rather to notice being given to the minister so that he can commence consultation with regard to that.

An hon. member: That is only with regard to Quebec?

Hon. Mr. Elgie: It is only with regard to Quebec.

"All"--of those situations--"are defined according to the number of employees terminated, usually within any four-week period. Although the notice period varies by size of layoff, all of the mass notice schedules are based on the eight-, 12- and 16-weeks' notice periods specified in the Ontario legislation.

"Six jurisdictions (Quebec, Prince Edward Island, Ontario, Newfoundland, Manitoba and Nova Scotia) also require that employees give notice to their employers of their plans to terminate employment. In Ontario, employees who have received notice of mass termination of employment are required to give written notice to their employer if they wish to leave before the mass notice expires. One week's notice is required if the length of employment has been from three months to two years and two weeks' notice for a period of employment of two years or more.

4 p.m.

"Pay in lieu of advance notice of employment termination:

"In Ontario, if the employer does not provide the required advance notice of termination, the employer is required to pay the employee an amount equal to regular wages for the number of weeks specified under the notice provision. Similar pay in lieu of advance notice provisions exist in Alberta, Manitoba, Newfoundland, Nova Scotia, Prince Edward Island and Saskatchewan. Such a provision is also included in British Columbia's revised

Employment Standards Act which is expected to become law in December 1980. No such provision exists in Quebec's legislation and New Brunswick does not have notice of termination legislation.

"Severance pay:

"None of the provinces currently provide for legislated severance payments. The Canada Labour Code (part III, division V.4) requires severance payments to be made to terminated employees with five or more consecutive years of continuous employment. Payments are to be at the rate of two days' pay per completed year of service, subject to a maximum severance payment of 40 days' pay"--in other words, recognizing 20 years' service. "Exempt from this requirement are employees dismissed with just cause, employees on a temporary layoff as defined under the Canada Labour Code and employees laid off as a result of a strike or lockout."

Following that there is a review of existing and some proposed legislation in the United States and I do not know whether you want me to comment on that at this time or to wait. I would not propose to go into any detail on the bills before a variety of legislatures.

Mr. Chairman: I will defer to the committee on that, but I think it may be timely if we now did turn to questions. We have pages dealing with the legislation in the US in front of us and if there are questions that arise from that, and if time permits, we could perhaps have a discussion on that. If that is the wish of the committee, are there any questions now?

Mr. White, our clerk, has been asked by a number of people in the room if additional copies of the briefing material we have are available. In fact, they are. They are not here, but are available in the ministry's offices. If you could undertake to phone, they are available there.

Hon. Mr. Elgie: If you wish we will send down and have an additional number brought up. Would you like that?

Mr. Chairman: Would a show of hands be worth while? How many would like to have this material?

We could use, I think, at least half a dozen.

Hon. Mr. Elgie: We will bring up about 10 copies.

Mr. Van Horne: Mr. Minister, if the volume you presented to us was spontaneous and the result of establishing this select committee that is one thing. If it was partially there for consideration in the estimates that is something else.

I am concerned about the whole process we are going through. I believe this is important and I have to wonder if it was your intent to discuss this in the estimates, given that the committee might not have been established. Was that going to happen anyway?

Hon. Mr. Elgie: I share your recognition of the

importance of this committee. As you know, it was in my statement that I felt it would have a valuable role to play.

This material was not prepared for a standing committee to review our estimates. It was prepared over the weekend--Friday, Saturday and Sunday--and reviewed again yesterday. Naturally, some of the tables and some of the information had been prepared on previous occasions and was added to the material, but the text of the material and the bringing together of it was done over the past four days.

Mr. Van Horne: I am not sure this is a fair question but I want to ask it anyway. That is sometimes the best way of getting to the heart of a problem.

We get the impression from time to time in the House that the government of Ontario is relatively satisfied with the present level of unemployment in the province. On page 13, although you do not say that, you do say there has not been a large increase in unemployment in Ontario. It is sort of implicit that maybe it is not all bad.

That may not be a fair statement, but we get the impression from time to time when we ask questions in the House that things are not really all that bad in Ontario. I get the feeling that if it were not for this committee we might be lulled to sleep.

Having said that, and you do not necessarily have to answer, there has been a suggestion that the unemployment rate--and this comes from our federal colleagues, not from you--is going to be up to between the eight and nine per cent level between now and 1985. Do you agree with that kind of statement which we have heard in this last week?

Hon. Mr. Elgie: That is probably one of the important reasons why you should have the Treasurer here, because, as you know, concern about unemployment rates is a shared jurisdictional problem with employment per se having been relegated to the federal government but with this province accepting its obligation in certain areas relating to unemployment.

Our concern with regard to unemployment is no less than that of your counterparts' in the federal government. Certainly, our efforts to try to stimulate the economy through the employment development fund and the Ontario Development Corporation, along with the Treasurer's statement last week that he will be announcing certain measures next week, I think speak pretty clearly to the fact this government recognizes it has some concerns, even though the most recent federal budget did not address those concerns with regard to unemployment.

Mr. Van Horne: Can you comment on changes you might be bringing into the Employment Standards Act or the Labour Relations Act?

Hon. Mr. Elgie: Not beyond what I read in my statement. You will recall that in my statement of October 14 I referred to certain amendments to the Employment Standards Act that were

contemplated to address some problems I had recognized and we had recognized. One had to do with the fact I feel there is the need to give the minister the power to require the creation of manpower adjustment committees because, frankly, I think that the success rate they have had is reasonable, and more than reasonable. I think they warrant use on a basis that can be decided outside the purview of the parties. That is the reason that particular amendment will be introduced.

The second point I raised in my statement had to do with the fact that when pay is given in lieu of notice an anomaly exists. It occurred in my personal recognition in two or three cases where several employees who had been receiving fringe benefits during that period of pay in lieu of notice who would have either become eligible for early retirement or would have had other fringe benefits that, unfortunately, they did not receive because the benefits were not being paid during that period of notice.

My colleague, Frank Drea, I think told you yesterday that certain amendments with regard to the Pension Benefits Act will be introduced. I mentioned in my statement that I saw these as preliminary moves in anticipation of a very authoritative and extensive study of pensions in general by the Haley Royal Commission on the Status of Pensions which is expected to report shortly.

As far as amendments to legislation are concerned, and since you did not ask about the nonlegislative ones, those are the only legislative amendments that I plan at present, but I am sincerely interested in the deliberations of this committee to see what other suggestions you may have.

Mr. Van Horne: Staying with that severance pay theme for the moment, on pages seven, eight and nine of your statement in the House you raise some questions as to how severance pay requirements should relate to existing statutory obligations to provide pay in lieu of notice. You are asking these questions: Is severance pay to be in addition to pay in lieu of notice or should one be set off against the other in whole or in part?

Is it your expectation that the committee is going to pursue any of these?

Hon. Mr. Elgie: I would think that is the sort of thing the committee would pursue. For instance, in one of the goals before, I think it is the US Congress, it is proposed by that particular member that severance pay be related to unemployment insurance. It would be a topping up of unemployment insurance. I referred to that as one question I think this committee should address itself to, as well as to the many other questions, and perhaps to ones you will think of yourself.

Mr. Mackenzie: Does the minister himself have any difficulty with the idea of severance pay being on top of or in addition to payment in lieu of notice?

4:10 p.m.

Hon. Mr. Elgie: I tell you this honestly, I have not reached any decision about that. As I say in my statement, I am not and the government is not opposed to the principle of severance pay, but I think the problems that I raise about it are legitimate ones. I do not have the answers to that yet, because there really do not seem to be many places you can compare yourself with to see how it has worked in other places. They just do not exist in other places.

Mr. Mackenzie: I just do not see why there is a differentiation. I think they are two different things.

Hon. Mr. Elgie: I understand what you are saying, but the only jurisdiction I know of that has both is the Dominion of Canada. It has very short termination notice provisions and in modest severance pay provisions presumably they are added on and not subtracted. That is the only example I can think of in North America and I do not think it is an example that I could draw any conclusions from.

Mr. Cooke: I just want to ask the minister some questions about figures that he gave on permanent and indefinite layoffs. I am looking at your statement on page 13 where you reported a total of 25,430 permanent and indefinite layoffs, January to September.

Hon. Mr. Elgie: What table is that?

Mr. Cooke: It refers to table three. I am looking at the figure in July, to use one month as an example, and I am looking at another table I have that you gave to us, the monthly statistics July 1980, terminations and layoffs of 25 or more employees in Ontario. I think it is referred to as table seven. I am just wondering how you calculate that.

Hon. Mr. Elgie: Frank Whittingham is our new director of research and the committee might like to be introduced to him. I wonder if Frank would be good enough to explain the discrepancy between the figures that have come up from the work sheets as opposed to those that have come up in the final tallies that your research department has.

Mr. Chairman: Thanks, Mr. Minister.

Mr. Whittingham, just before you begin, perhaps I am the only one who does not have it but, Mr. Cooke, I am not sure what other sheet you are referring to.

Mr. Cooke: The other sheet you probably do not have, but we have it because it is stuff that our research--

Hon. Mr. Elgie: They requested it several months ago. Did you want it complete?

Mr. Cooke: I want to look at one month.

Mr. Williams: If we are discussing some other statistical information I think we should have the benefit of that.

Mr. Cooke: You have table three on page 16. I am looking at July and I am simply asking the minister to tell me how the figure of 3,526 was calculated.

Mr. Williams: But you are comparing it to another fact sheet which we do not have.

Hon. Mr. Elgie: What Mr. Cooke has, and we can get it for you if you wish, is the July work sheet which reports the plant that closed, where the data was obtained from, how it was verified, and I would just like Mr. Whittingham to explain how the totals that have been reached by Mr. Cooke are different than the ones in this table.

Mr. Williams: All right, if we could have that sheet filed we would have all the information at the committee.

Hon. Mr. Elgie: If you would like to have the July sheet, we can arrange to have a copy of it sent to each of you.

Dr. Whittingham: All I have with me is part of table seven for the month of July. Is what you have identified table seven?

Mr. Cooke: Right.

Dr. Whittingham: Okay. This is basically a work sheet used by the ministry for purposes of monitoring what is happening to layoffs. You will notice on the righthand side of that sheet we have under the heading Source EAS, which is employment adjustment service, CMC, Canada Manpower Centre, UIC, and in the process of monitoring we pick up information from UIC. We pick up information from CMC and from our own employment adjustment service which we enter here. However, only after verifying what has happened do we enter a figure.

I suggest what has happened in the use of table seven by other people is they have misunderstood this format. For example, they have added together along one row, all the numbers under UIC, CMC and employment adjustment service to come up with their totals. In effect, that would be double counting and, in some cases, counting the same item three times.

Mr. Cooke: Could you explain how you would be counting, say, in the month of July, one layoff three times when the numbers only list it once?

Dr. Whittingham: Where the number is only listed once it would not be counted three times. But we do have examples of numbers listed several times on the same line, in some cases three times on the same line, and where that occurs, if you just sum across the line, you end up double counting where you have two entries, and counting three times where you have--

Mr. Cooke: There are some figures in brackets, but there is basically, one line of figures here. In July it starts 120, 510, 266 and so forth. Do you add those figures together? What would be inaccurate about that figure to tell you about the--

Dr. Whittingham: You have me at a bit of an advantage because all I have is an example of our work sheet here. I do not have actual numbers on it.

Hon. Mr. Elgie: Can he take a peek at that?

Mr. Cooke: You can take a look at this if you want to. But you could use it for any month. This is the only copy I have. Here is one page of one at the same month. I am just trying to figure out how there could possibly be double counting.

Mr. Williams: If we are going to be here much longer, let us have copies of the document made so we all know what we are talking about. If you are just about finished your questioning, we can get copies from--

Mr. Chairman: (Inaudible) Clearly, we are all at a bit of a disadvantage in not having the same sheets. I think if you can attempt to speak to the question that is before us, hopefully we could come back to this when we have those same sheets.

Hon. Mr. Elgie: Would you like us to put together the information and discuss it with Mr. Cooke and then return--

Mr. Chairman: I defer to Mr. Cooke and the committee on this, but I think that would give us something that we could all work from. We are up to our necks already with just the numbers we all have available, and we are in up to our necks and beyond when we do not have work sheets. So, if that is okay, David, could we come back to that when we have all got them, or do you want pursue that one question?

Mr. Cooke: Are we going to get them this afternoon? All I want to know this afternoon is how we are calculating the layoffs on a monthly basis--

Mr. Turner: We would like to know too, but we do not have the sheets.

Mr. Cooke: --and why there are certain statistics that seem to be invalid.

Hon. Mr. Elgie: All I can tell you is that I am happy to provide the working sheets to the members. The fact that you have the working sheets means nobody is trying to deceive anybody. If you would like to understand in more detail how the final totals were arrived at, I think it is only fair that the members of the committee should have that information and that Mr. Whittingham should have it before him and then answer you, because clearly the fact that it is all out there means that nobody is expecting to do anything that is not acceptable.

Mr. Williams: Perhaps we could have the clerk print copies of the document and then come back to the question when the documents are available to us. We could go on with some other questions and come back--

Mr. Chairman: Agreed.

Graham, could you get copies for us, please, of the work sheet that is being referred to? I think Mr. Whittingham or David Cook has it. Thank you very much. There are a number of-- Sorry, Mr. Cooke, have you completed for the moment? We will come back to this of course.

Mr. O'Neil: Mr. Minister, these statistics that you have here, have you done them on any sort of--do you have any regional totals for different areas of the province, rather than just grouping them together as we have?

Hon. Mr. Elgie: Why don't you sit over there, Frank? Perhaps you could tell us whether this data is available on a regional basis as opposed to a provincial basis.

Dr. Whittingham: Yes. We can provide some of this information on a regional basis.

4:20 p.m.

Mr. O'Neil: I think that information would be quite helpful if we could see it on a regional basis.

Do you recall any of those figures? In other words, what parts of the province do the layoffs seem to be affecting most? I suppose it would be western Ontario.

Dr. Whittingham: Some of the figures we have looked at--southwestern Ontario, the areas that include Windsor, Chatham, that type of thing.

Mr. O'Neil: What about the other areas of the province in comparison?

Dr. Whittingham: I would much prefer to provide you with that as a document if I may.

Mr. O'Neil: Okay. Another question I would like to ask the minister or staff is, in showing the different plants that have closed and the location and the numbers, has there been any designation given to these plant closings, as to whether they are Canadian-owned plants or American-owned, or owned by other countries?

Hon. Mr. Elgie: The parent company is listed in the data you have. You might just turn to the back of volume one and flip to one of those examples; you will see that the first column is headed Company/Location and the second column is Parent Company. That gives you an idea of whether it is a local Canadian company or whether its parent company is outside of Canada.

Mr. Cureatz: Excuse me, Mr. Chairman, what table was that? That was one of my questions.

Hon. Mr. Elgie: Well, there are many tables, if you look at the index--

Mr. O'Neil: Page 24 I have is one example at the back,

where it gives Pedlar Castings and of course, parent company, Toronto.

Hon. Mr. Elgie: It's not numbered, but near the back of the book you will find individual sheets outlining individual companies.

Mr. O'Neil: I was just wondering, you have designated where the parent company is located.

Hon. Mr. Elgie: That is one of the pieces of information we get.

Mr. O'Neil: I don't know whether it would be question to you or it should go to the Minister of Industry and Tourism, but when you are notified there is a chance a layoff might occur, or that there is going to be one, is there any study done by your ministry as to why they intend to close?

In other words, it has been implied that sometimes an American company or a European company may close down the operation to pull back to the parent company and therefore cut down on the expenses that they may have. But yet it destroys jobs in Ontario.

Hon. Mr. Elgie: I can only say what I have said in the opening remarks here, that the staff meet with the company, either personally or get the information by the phone, or on a few occasions I have met with them personally. In those conversations they endeavour to obtain information about the reason for closure. Now I cannot speak for the Minister of Industry and Tourism, but it is my understanding that they make similar inquiries.

Mr. O'Neil: Would there be any follow-up or hard bargaining done by either your ministry or the Ministry of Tourism and Information saying, something like, "We have looked at this thing and we feel that those jobs should stay here and if you are going to be doing some cutting, you cut back where your parent company is located"? Is there anything like that done?

Hon. Mr. Elgie: I have met with several companies and I have asked those very same questions, and I must say I have not had the feeling that anybody is withholding information from me. In most cases, I find that the cutbacks that are occurring are, if anything, more extensive in the United States, or at least equivalent to what is happening in Ontario. It does not mean that you always like it happening, but it seems to be that there is a balance to it.

Mr. O'Neil: Then I would ask, if this is the case, have we any comparisons, either from your ministry? And again, we could ask this of the Ministry of Industry and Tourism. In other words, if one of the plants in Canada or in Ontario is closing, let us say they are from the States, are we doing any checking to see what their actual layoffs are with their plants in the States, to make sure that there is that correlation between the two? Do we make some check on what they are telling us?

Mr. Armstrong: Just to revert to the earlier question, if I might for a minute. The minister receives, typically, an explanation, usually a pretty lengthy one, of the economic reasons for their closure. I can remember a number of cases where those reasons have been challenged and there has been a good deal of not only cross-examination but in some cases trips to other locations to check on the bona fides of the reasons, in a real attempt to persuade the particular company to reverse its decision.

I should say that the rate of success in persuasion has not been terribly high, that is fully conceded, but in a number of cases there have been attempts made to persuade the employer that whatever the merits and the reasons advanced, this province is a good place to continue to do business and they should reverse the decision.

One particular instance comes to mind of National Steel where I would hate to add up the man-hours which were spent, not only by the ministry staff but by the minister, in attempting to persuade that corporation. In that case, it included a trip to Cleveland, Ohio, to talk with the top person who was obviously making the decision to get a broad overview of the entire operation of that conglomerate, to obtain from them an explanation of what they were doing and to try and persuade them to reverse their decision. That is not untypical of the approach.

In that particular case, it was a particularly vigorous and sustained effort. But variations of that go on all the time. The employment adjustment officers do not serve as post office clerks. They go into these things, as do the staff of the Ministry of Industry and Tourism. We could give you case histories where that has been--Anaconda Brass where there was more success. That was one of the success stories.

Mr. O'Neil: Another question. You have listed here for us the number of plant closings this year, up to this date. Do you have these same type of records available for the last, say, eight to 10 years?

Hon. Mr. Elgie: I think in table one you will see it goes back to 1974.

Mr. O'Neil: That is as far back as you go?

Hon. Mr. Elgie: I do not know if we can go back further than that.

Mr. O'Neil: No?

Hon. Mr. Elgie: No, we can't go back further than that.

Mr. O'Neil: You can or you can't?

Hon. Mr. Elgie: Cannot.

Mr. O'Neil: Okay. One final question: we have a list here of the plants that have closed. Do you have a current list of plants or people who have approached you, who have spoken to you

and have said, "There is a danger; we are experiencing some difficulties and in the next few months or the next year we may experience either a partial or a complete closing of our facilities"? Do you have any statistics like that available, or of people right now who come to you with this?

Hon. Mr. Elgie: No.

Mr. O'Neil: None at all.

Hon. Mr. Elgie: I think any we know about, you know about.

Interjection: Could I just point out that--

Mr. Chairman: Would you be kind enough to identify yourself for the record and then proceed?

Mr. Ignatieff: Nicholas Ignatieff. You will find in appendices E and F really the current work sheet of the employment adjustment service. There is provided the date of announcement of a layoff and also the effective date; in some cases the effective date has not yet been reached, I think you will find. There are announcements, I think, up to December, et cetera, of things that have not yet occurred.

Mr. O'Neil: You do not have any closing beyond that December date? In other words, you have gone until the end of this year; you have no other notices after the end of December?

Hon. Mr. Elgie: I cannot think of any that I have seen.

Mr. Cureatz: Looking at page seven, Mr. Minister, in an attempt to get a working knowledge of some of the problems, number 16, the third line, "...frequently by meetings with companies and/or union officials." Now if nothing can be accomplished with the various meetings with the ministry, union officials and employers, and if the legislation has been met by the employer, then the union contract, I would guess, is followed up in terms of whatever has been negotiated in the past on how pension benefits would be affected in terms of laid-off employees, if there has been some arrangement under the union contract, if the union officials have negotiated in anticipation that a plant might close down or if a plant ever closed down.

4:30 p.m.

Mr. Scott: The benefits that you find would extend possibly beyond a closure date for the current month in which the closure would be announced and possibly for another 30 days. That is the way the collective agreements generally look at that.

Mr. Cureatz: Yes, but union officials can look beyond that in their contract. I mean, if they wanted to make that part of their bargaining position, could they make that part of their contract? Have I made myself clear on that?

Hon. Mr. Elgie: Yes, they could. They could bargain for

other benefits or extended benefits. That is true.

Mr. Cureatz: Page nine again talks about this particular committee which has met 50 per cent of the time in terms of the various closures. Mr. Minister, would you think that if there had been some kind of compulsory legislation to force the other 50 per cent to have committees in force, it would have been of any benefit at all?

Hon. Mr. Elgie: That is my view. That is why I proposed that amendment. When you first see the table, it is kind of surprising. It is appendix B. That comes immediately after the Employment Standards Act and the regulations. You see that in 50 per cent of cases of complete closures there are committee set up.

That does not mean that in all those other cases the parties refuse to have a committee, although it is true that there have been occasions when employers have been reluctant or, indeed, opposed to having a committee. In one or two cases recently, a union has opposed the setting up of an adjustment committee. A lot of those cases relate to bankruptcies where the company is dissolved and there is nothing there and the employees have vanished, and there is just nothing you can get together to salvage it.

In the partial closures, 45 per cent have committees. I do not know what this means. We were talking about it. Whether it means there is a little less trouble finding employment when a smaller number of employees is released and, therefore, less interest in a committee, I do not know.

In cases of general cutbacks, I presume, and so do the staff whom I have asked about it, that the lack of interest in committees relates to the fact that the majority of those people who are laid off are on recall rights and really may or may not have the same interest in setting up a manpower adjustment committee.

From my own personal experience, where there has been a reluctance to set up committees--and I can think of one or two recent instances--and where, after conversations or correspondence, they were set up, it has been seen to be a very worthwhile thing to do.

Mr. Mackenzie: Could I ask, as a supplementary, if Bendix was one of those examples you are citing?

Hon. Mr. Elgie: It did not have one, but I cannot recall if we asked them to set one up or not. They had retained some outside consultant, as I recall, to set up an employment adjustment program for people. I cannot recall whether that was a specific problem where there was a reluctance or not, but I can recall others.

Mr. Cureatz: Of the complete closures, 50 per cent have committees, and you indicated that the other 50 per cent could be bankruptcies. Have you any idea of in what percentage it would have been of some value to have such committees? In the other full

50 per cent, if they were bankruptcies, would it not have been worth while? Are we talking 50 per cent of that 50 per cent?

Hon. Mr. Elgie: The original figure that was given to me was something in the neighbourhood of 25 to 30 per cent might well benefit from committees, but those figures are very soft figures because they are hard to get. That is very soft data. But we do have personal experiences with individual cases.

Mr. Cureatz: Of those 52, 25 might be areas where committees would have been worth while?

Hon. Mr. Elgie: That is very soft data based on personal observation in individual situations and on soft data that the staff reported.

Mr. Cureatz: I am curious: At the bottom of page nine it says, "The amount of the ministry's financial contributions can vary, but it is usually between 15 to 25 per cent of the committee's cost to a maximum of \$1,000." Does that seem adequate funding to you?

Hon. Mr. Elgie: The average funding for committees--do we have that data here? I can get you that data. About 50 per cent of the cost is borne by the federal government; the employer bears 25 per cent and, on occasion, more than that; and up until now we have been contributing according to that formula. It may be that with the new proposals I hope to bring forward our contribution should be increased. That is a matter we will have to talk about.

Mr. Cureatz: On page 11, I am not clear about section 25, the last sentence. "It must be stressed that the Ministry of Labour's data excludes: (i) layoffs that involve less than 25 employees and (ii) all temporary layoffs (layoffs of 13 weeks or less)."

How does that figure fit into the figures on page 12, or does it fit in anywhere?

Hon. Mr. Elgie: The information about temporary layoffs that we get comes from CEIC. Of course, if there are 25 employees or less, we just do not have that kind of information available to us. Information about temporary layoffs comes to us through CEIC.

Mr. Cureatz: I am trying to envisage it. Is that a large amount that is not calculated--layoffs that involve fewer than 25 employees? Do we know whether that is a large figure, a small figure, if all the layoffs of fewer than 25 employees were added up?

Mr. Ignatieff: I do not have that information and, because no data system, either federal or provincial, exists to capture the layoffs below 25, I do not think it exists. It might be significant, but that is really hypothesis on our part.

Mr. Cureatz: I am trying to stress that it is of no less concern because it is fewer than 25.

Hon. Mr. Elgie: We just do not have the data on that.

Mr. Ignatieff: There are some 288,000 establishments in the province, a vast number of employers, and we do not have data on a large number of them.

Mr. Cureatz: Again, do you think the total number of layoffs could be drastically affected because you do not have calculations for the layoffs that involve fewer than 25 employees? I mean, if you have 100 plants closing down with fewer than 25 employees--

Mr. Armstrong: If you go to table three and the information compiled by CEIC in the last two columns, I do not think it can be said categorically that those figures do not include the smaller firms. That would have to be checked with CEIC. I think they may well.

Mr. Cureatz: It looks like there is an area there where we just do not know the numbers.

Hon. Mr. Elgie: That is true. There is not any argument about that.

Mr. Cureatz: Following Mr. O'Neil's line of questioning, on page 12 again you have no breakdown--this is in the middle of the page: "...56 complete closures that affected 7,390 employees and 11 partial closures..." Those numbers are not broken down as to whether they were subsidiaries of American companies or whether they were corporations wholly owned by international firms.

Hon. Mr. Elgie: We have not tabulated that data, but, as I said when I referred you to the work sheets, the parent company is listed there and presumably that data could be retrieved.

Mr. Cureatz: It would be helpful to me and to the committee if someone from the ministry could possibly break down that section into various categories that would prove of interest to the committee.

Hon. Mr. Elgie: I will have staff do that for the committee.

Mr. Cureatz: Then we could get a handle as to the percentage or number in terms of the wholly Canadian-owned operations or whatever. Possibly you could be a little more specific in breakdowns, not just American-owned or European-owned, but if there were finer differentiations between ownerships we would find it helpful.

Hon. Mr. Elgie: We will do the best we can.

4:40 p.m.

Mr. Chairman: I have a brief supplementary, as does Mr. O'Neil. Perhaps you would just refresh my memory, if it is possible. I am not talking about any numbers or statistics at all,

but the point is made on page 12 comparing the layoffs this last year to--

Hon. Mr. Elgie: Which number are you referring to?

Mr. Chairman: At the top of page 12 reference is made to the year 1976-77 and the number of layoffs. Could you refresh my memory and that of other members of the committee perhaps? What happened in 1976-77? I just do not recall offhand any major layoffs. Certainly I do in terms of 1980. They are clear.

Does anybody recall the situation in 1976-77 that led to that disturbingly high number?

Mr. Scott: I do not believe we have that information, sir, but we can attempt to find it for you.

Mr. Chairman: It was not Inco. That came in 1978. Does anybody remember? I am just curious more than anything.

Fine. It does not matter.

Mr. O'Neil: Just following up on some of my questions and Mr. Cureatz's, could I have the minister's staff comment on these tables?

When we look at these tables at the end, starting at page one and running all the way up to page 32, if you leaf through them looking at the location of these factories, on page one you have Tillsonburg and Toronto, but then through the rest, or pretty well through the majority of the other sheets, you have Detroit, Michigan; you have Wisconsin; you have Michigan; you have Michigan; you have New Jersey; you have Dearborn, Michigan; you have Michigan; Michigan; Michigan. The next two pages have Michigan; Oakville on the next page; Deerfield, Michigan; Troy, Michigan; Michigan again; Pittsburgh; Ohio; and you go all through these.

I do not know what the percentage would be, and maybe you have worked it out, but you talk about this being a branch plant situation and if you look at those plants where the people are being laid off, in either partial or complete shutdowns, they are American plants that are closing up here in Ontario and affecting our economy.

Mr. Cureatz: The minister says he will get that data for us, the breakdown.

Hon. Mr. Elgie: I will break that data down for you.

Mr. O'Neil: To me it is a disturbing thing that they have the influence over this province, or this country, that maybe they do have. There may be reasons for this, I do not know, but, again, it is disturbing to me when I look through these tables and see where they are located.

Hon. Mr. Elgie: I think the important thing to do would be to take the generals and the specifics and then see what is

happening in the parent company's country as well.

If you look at Firestone, for example, the number of closures of Firestone in the US was pretty extensive. Indeed, the layoffs per capita were much more than they were in Canada. I think that kind of information has to be taken into account before you generalize from who the owner is or where they come from.

Mr. Cureatz: Will you supply us with that also, Mr. Minister?

Hon. Mr. Elgie: I do not think we have that data. If you can pick specific instances in there that you want us to look at, we will try to get it for you, but I do not think we have that data routinely. It might be available in some cases. We will look at our records and see where it is available. Certainly it is available for the Firestone closure, and maybe for some others.

Mr. Chairman: I think it would be an appropriate line of questioning, Mr. O'Neill and other members of the committee, to bring up with the Minister of Industry and Tourism tomorrow. I think what you have noted there is one of the reasons we, as a committee, sit here. I think it is an important observation.

Mr. Williams: Mr. Chairman, first and foremost I would like to compliment the deputy minister and his staff for putting together a wealth of information on such short notice. I think it has been extremely well put together and it is obviously helpful to the committee.

If there were to be any criticism, I guess the only criticism would be that there is too much material to digest in too short a period of time. I am sure in the ensuing weeks we will have an opportunity to fall back on a lot of this vital information. I am sure that these documents will tend to become the Bible of the discussion period over the ensuing weeks. It is very helpful indeed.

What I would like to do is try to stay with the overview for the moment because I do not think we really got the complete overview in the presentation; that is, vis-a-vis the other jurisdictions, for comparison purposes. What I would like to do, if I could, is just spend a bit of time on that and speak in generalities, because I think it is important to try to have a broad perspective of the issue before we get into the specifics. We tend to get caught up in our own immediate problems without trying to have the broad picture.

The minister has alluded to some of these issues. The state of the economy in adjoining jurisdictions may be more severe than in our own, and that may have an impact; the number of parent companies in other jurisdictions, all of these matters will have to be assessed. Obviously we cannot get into all the details today, but there are a couple of things that emerge in getting this overview at the outset and on which I would like to ask you some questions, Mr. Minister, if I could.

First, however, if I could, I would just like to make a few

further observations to lead into those questions. Addressing myself and directing you to volume two, "Layoff Legislation in Other Jurisdictions," I think this information has been extremely helpful. I and, I am sure, most members of the committee were not aware of the situation in other jurisdictions. It is some consolation that we seem to be somewhat in the forefront as far as enlightened legislation is concerned, and dealing with some aspects of this problem--notice provisions, pay in lieu and so forth.

The matter of severance pay, however, is going to become a matter of some considerable discussion in view of the fact that there seems to be something of a void in that particular area. That will undoubtedly take up considerable time somewhere in the course of our discussions.

Addressing two aspects of this, and, first, the legislation in the United States, it is interesting to note that we seem to be much further advanced than our friends to the south in providing this type of legislation, right across the country and at the federal level. I think it is to our benefit and to their loss that we are in a much better position. That does not mean there is no room for improvement; there certainly is.

Looking at that situation and considering the comments made and questions asked by Mr. O'Neil and Mr. Cureatz about the degree of ownership by other companies, and primarily American corporations, obviously the state of their legislation or lack thereof is going to have to impact on what happens here. That is pretty obvious, I guess, but, looking at it in human terms, I think we have much greater legislative protection built in as far as individual or mass layoffs are concerned.

By the same token, there are the economic considerations, which, I suppose one could say, put us at a disadvantage if the parent companies--say they are in the States--are considering that material and personnel are the two main ingredients to working out the economic considerations.

Mr. Mackenzie: Mr. Vice-Chairman, are you in the chair? Could somebody take the chair? I would like to raise a point.

Mr. Williams: If there is legislation here and not in the United States, I presume that this has an adverse economic advantage. Or a disadvantage--let me put it that way. Mr. Minister, I think you alluded to that earlier. Would you care to comment as to the extent that this has had an impact--the lack of legislation there and the economic consequences of that--on some of the difficulties we find ourselves in today? Has it been proved that you can point directly to that as one of the major problems?

4:50 p.m.

Hon. Mr. Elgie: That is one of those soft areas where there is no real way to evaluate corporate or individual decisions to open or not to open or to close or not to close a plant in this country. Of course, we already have the exchange rate advantage, which is a further enticement, and other things that go on in this

country in terms of benefit. I just feel that if one were looking at a place to open up a business these are things one would have to take into account. In other words, at what point do things become disincentives?

Having said that, let me make it very clear that the principle of termination provisions, be they individual or mass, has been established by this government as one of the forerunners in North America. The principle does not trouble me because I think there is a need to recognize that there is a real hardship when there is a plant closure, be it partial, total or whatever. But I do think we have to be concerned that our major trading partner to the south does not have at the federal level or at any state level any termination provisions. Indeed, in other areas the legislation is so minimal, as you will see when you read through the brief, that it is hardly worth mentioning.

It is of interest to note that, of the states where there is legislation, the great state of Maine does have severance pay. That severance pay has a three-year commencement time and it applies only to partial or total plant closures. There are certain exclusions, one of them being that if the employee accepts employment in some other location the severance pay does not apply. That is the only state that has anything. It has severance pay in that area and it does not have termination provisions.

If I may read to you from page eight: "The state of Michigan's legislation is much narrower in scope and its main provision is: 'Upon request, the Department of Labour with the Department of Commerce will establish a program to assist in developing employee-owned corporations when an establishment is closing or transferring operations, resulting in a loss of jobs. This act is to expire five years after its effective date.'" In other words, it is to assist employees in the purchase of plants that are going to close.

"The state of Wisconsin also has an act that touches on plant closures but it does not deal with such items as notice to employees or severance pay. Rather, the Wisconsin legislation requires employers to pay all 'unpaid wages' to the employees within 24 hours of the time of separation caused by mergers, relocation or cessation of operations. Employers must also notify the Department of Industry, Labour and Human Relations 60 days in advance with respect to a decision to merge, liquidate or relocate. However, an official in Wisconsin stated that this law is largely inoperative and would probably be repealed next year."

That is the extent of the legislation that we see south of the border--our major trading partner.

Mr. Williams: I would probably feel a lot more comfortable--I am sure the workers States-side would too--but from our point of view, as far as that economic disadvantage situation is concerned, if it was known that the other major industrial neighbouring states of Ohio, Pennsylvania and New York were contemplating any significant legislation comparable to ours. Do you have any awareness or knowledge through the ministry that there is activity in that area?

Hon. Mr. Elgie: Yes, you will see it in here.

Mr. Williams: Obviously this is the most current information. Wisconsin, Maine and Michigan seem to be the only ones. Are there any indicators coming up from south of the border that there are others?

Hon. Mr. Elgie: Yes. At the federal level there is a National Employment Priorities Act being proposed by William Ford and Senator Riegle from Michigan, which is very extensive. At the state level there are proposals before Pennsylvania, Michigan, Massachusetts, Illinois, Ohio, Oregon, New Jersey, Delaware and Alabama.

I have to tell you in all honesty, having talked to people about that legislation and having asked our ambassador in Washington to look into it and having talked to a leading trade union leader, there seems to be no prospect that any of it is going to pass. However, I think it is important in that it raises the principle down there that there is a need to provide some sort of protection to workers. One would hope that there will be a move in some direction so that there is some commonality expressed in all of North America, thus dealing with it in a more generalized way.

It is also interesting to note that in western Europe, where they have more extensive layoff provisions, the European Economic Community is endeavouring to standardize redundant provisions in the various countries of Europe so that there is not this distinction and disincentive when one is compared to the other.

It is important to recognize that you have to look to your trading areas to see what is acceptable, keeping in mind that one cannot set aside a recognition of the hardship that comes from a closure.

Mr. Cureatz: May I ask a supplementary on foreign legislation? On pages four and five of volume two, in regard to Senator Harrison Williams' proposed legislation, although you say the likelihood of passage is remote I am curious if you have any comments about this point that "the Secretary of Labour may undertake a public investigation of this decision at the community's or employees' request."

Can you see any benefit in that? We are concentrating on employees and their layoffs but there is an effect on communities, especially the small community where a large company goes broke and is laying off. Would you give any consideration to the kind of ideas that are expressed here, involving communities and not only employees at times of mass layoffs?

Hon. Mr. Elgie: I think that is part of the nonlegislative proposal I suggested in my statement to the Legislature on October 14, the need to recognize that communities may suffer significant tax-base problems from disruptions.

I think, for example, of the community of Capreol where National Steel Corporation was located, where quite a large

proportion of the population was involved. That cannot help but have an effect. That is why I think the Ministry of Intergovernmental Affairs--and that minister agrees with me--should have a very active role in any closure situation to evaluate the community, in fact, and assist in whatever way seems reasonable.

Mr. Williams: There is just one last area I want to explore for a couple of minutes, if I might. It seems that we are sort of in mid-stream between the two ends of the spectrum. The US does not seem to have really developed any significant legislation; on the other hand, in the European setting, they seem to be somewhat more advanced than we are here.

I have not had a chance to review all the material dealing with the western European setting. You touched on it very briefly, Mr. Minister, but I am wondering if you could elaborate a little further as to the strengths of that system. I noticed the works council system. I do not fully understand that consultative process. Maybe you could just touch on that and explain how it works.

Hon. Mr. Elgie: What page are you looking at?

Mr. Williams: I am looking at page 12 where it says, "In those countries with a works council system...consultation between employer and employee on termination issues frequently takes place within this form rather than with the trade unions." I do not understand how the trade unions are excluded from the discussion, but maybe you could give us a broad overview and it will bring it into perspective.

Hon. Mr. Elgie: Mr. Ignatieff, do you have any detailed knowledge of that? I am afraid I do not, beyond what is written down here in the text.

Mr. Ignatieff: Perhaps I could answer, if the question relates to what a works council is all about and how it relates to a trade union. There is always a danger in generalizations, but in many European jurisdictions the trade unions bargain on a national basis. The employee presence in a particular enterprise or operation is the works council; that is to say, the equivalent of our local union.

For example, I am looking at the tables in the back about the French legislation. There the obligation is to consult with a works council, which is mandatory in all firms with at least 50 employees. It is not a certified trade union as we have in Ontario, but a statutory works council. It is that body the employer has to consult with in the event that there is a pending closure or layoff.

Without wanting to editorialize too much or be provocative, our trade unions here in Ontario, and, indeed, in North America, are very skeptical of the works council concept. They believe fundamentally in trade unions having rights on the plant floor not only in terms of consultation, but trade unions at the plant floor

level having the right to negotiate their own collective agreements.

Where you see references to the works council, it is to that peculiar tradition in western Europe to have the statutory works councils as opposed to certified local trade unions.

5 p.m.

Mr. Williams: You are saying then, as I understand it, that the European process in a way excludes grass-roots involvement at the local level.

Mr. Armstrong: I think I would put it the other way around. West Europeans would argue that perhaps there is more grass-roots involvement because the works council is the local representative of the employees and the employees are on the works council and it is not dependent on the particular organizational structure of the international union, for example.

Mr. Williams: I see; okay.

Mr. Mackenzie: It interferes in the business operation as well as operating the unions.

Hon. Mr. Elgie: You said "interferes," I didn't.

Mr. Williams: Having touched on that one specific point, could you, Mr. Minister, or Mr. Deputy, just very briefly give us, over and above that point, other basic differences in the European system as contrasted to ours; or matters we might want to look at as we go through our discussions in the next few weeks that could be relevant and germane to our own discussions?

Mr. Armstrong: There are so many variations when you go back to these tables with the little flags on top that it is hard to generalize. In some jurisdictions there is the concept of notification to a government agency of an impending closure and an apparent requirement for approval from the government agency.

That is true, for example, in France and The Netherlands, the so-called justification for the closure to a particular government board or agency. That is one characteristic that is present in some European jurisdictions.

The periods vary all over the place. I think it is accurate to say that there is a greater emphasis on the need not only to notify but to consult and work out a solution in the European jurisdictions. I recall that in Italy there have been cases--Fiat is one--where, as a result of the consultations and the failure to come to an agreement, closures have not been permitted to take place.

I think it may be a defect in the material before you, that while you have some tabular comparisons of the European jurisdictions we deal with, you do not have the kind of thing you are looking for; the four, five or six points which characterize those European jurisdictions and which are dissimilar from the way

we approach the problem here. I think it would be useful for us to we go through the material and provide you with a more exhaustive list of the characteristics that are fundamentally different from ours.

Mr. Williams: What really caught my eye was the comment on page four that in the proposed legislation the United States was endeavouring to put through at the federal level, the three bills to regulate plant closings were all modelled somewhat on the European approach. It raises the question in my mind what it is they see in the European system that they think has advantages over what we are doing up here; why are they going that route without knowing what the European advantages are.

The question remains, and that is why I inquired about that. Perhaps these characteristics that you speak of can be touched on further as we get further into our discussions.

Hon. Mr. Elgie: We have been trying to see if any evaluation has taken place with respect to those justification procedures, and we are still attempting to obtain that information, but to date it looks like there is really no evaluation of the effectiveness or lack of effectiveness of those justification procedures. However, we are continuing to see if we can get more data on that. I think Mr. Ignatieff was able to get some information about what happens in France.

Mr. Ignatieff: I just have some figures, Mr. Minister. I believe that, in 1977, which I gather is the most recent year for which information is available, all but 3,300 of the 77,000 industrial layoffs in France which were submitted for approval to the government agency were approved. That, I am afraid, is the extent of our quantitative information at the moment, but it suggests that the vast majority of layoffs submitted to that body were approved.

Mr. Mancini: Do you have any information on the government's reasons for the nonapproval of the 3,300?

Mr. Ignatieff: No, I have no further information at the moment. That is the sort of stuff that we are trying to seek out.

Mr. Mancini: You would not know, say, if the company was no longer economically solvent, if it would continue to pay if approval was not given. Is there any information on that?

Mr. Ignatieff: That is a good point and one we will be trying to pursue. Frankly this information has just become available to us. We are going to be trying to get further information on it and will pass it on if we do.

Mr. Mancini: We will give you another couple of days.

Hon. Mr. Elgie: It is amazing what you can do in a couple of days.

Mr. Williams: Mr. Chairman, I will stop at this point and let other members take some time here. We will come back,

maybe, to some of these broader issues as we go along. That has been very helpful.

Mr. Renwick: Mr. Chairman, I was delighted that the minister provided us with this information. I was somewhat surprised that his staff had to work over the weekend. Because of the intensive study which has been going on in these matters in the government I had assumed that this information was readily available.

Hon. Mr. Elgie: Excuse me, I said that this was a gathering together of the information we had. It did take staff the weekend to do it; to prepare it, to type it, to get it together. A lot of work went into it.

Mr. Renwick: Of the five matters which you referred to in your statement, one was for your colleague, the Minister of Consumer and Commercial Relations (Mr. Drea). We will be looking forward to seeing, probably at the end of the week or early next week, whether we got anything of substantial value from him.

As the chairman has said, Mr. Minister, our staff consists of Mr. Jennings and Mr. White. I am anxious to establish that there should be immediate access by our staff to your ministry. I would appreciate it if you would designate the person, not to me necessarily but to the chairman and the staff, with whom they can consult because of the extreme urgency of the matters that we are trying to deal with.

Hon. Mr. Elgie: The chairman has already brought that to my attention. That certainly will be no problem.

Mr. Renwick: Have you any background studies on each of the other four items to which you refer? Those are the two amendments to the Employment Standards Act, background studies with respect to the various questions you itemize related to severance pay, and any background study with respect to item five, which I would like to come back to.

I am asking the specific question, what information do you have in your ministry as a result of your studies of these complex questions that could be made immediately available to our committee?

Hon. Mr. Elgie: I think the information that led us to those conclusions about the two particular amendments has been discussed in detail. I do not have any studies that I am aware of, other than the material that has been given to you and the tables that have been provided to you.

Mr. Renwick: Are there no studies within Ontario?

Hon. Mr. Elgie: No.

Mr. Renwick: No Ontario studies with respect to the the question of fringe benefits or severance?

Hon. Mr. Elgie: To my recollection, Mr. Renwick, the

fringe benefits question was first raised with me by a member of the United Auto Workers during the Bendix discussions, the discussions I had with the trade union movement. It was pointed out to me that this was a deficiency. I made inquiries and discussed it with staff, and felt it was a very rational and reasonable suggestion.

5:10 p.m.

Mr. Renwick: Yes, there is no question about that. It is always easy to state the problems. I was wondering whether or not you had any background material, and I take it that you do not have that.

Hon. Mr. Elgie: There is nothing other than the material that you have before you.

Mr. Armstrong: Perhaps I could qualify that a bit. In the severance pay area there have been publications by the ministry; for example, Severance Pay Plans in Ontario Collective Bargaining Agreements, which was published as part of the bargaining information series of the Ministry of Labour, is available. There are some other published papers.

We can provide the bibliography on what we have and what we have looked at. And, very frankly, there are some internal policy papers.

Mr. Renwick: Very frankly, that is what I was hoping we would get.

Mr. Armstrong: It is presumptuous for me to say so, but I would have thought internal policy papers were in a rather more difficult category.

Mr. Renwick: It is because of the dedication of the government to the freedom of information, the fact that the minister is going to introduce legislation and that he has appointed a committee, or has suggested that he was at least agreeable to the appointment of a committee, to deal with this.

Are you going to go about your work and we about our work in separate compartments--or can we be open and clear about the options which are available to us?

Hon. Mr. Elgie: I think that internal policy papers provided to me and to the government remain that. They remain internal policy papers.

Mr. Renwick: So you have some papers related to the matters which are going to come before us.

Hon. Mr. Elgie: Whatever papers they are, they are internal.

Mr. Renwick: And will not be available to us.

Hon. Mr. Elgie: No.

Mr. Renwick: Maybe we should adjourn and test it out with a judicial procedure application to see whether or not we could get it. I am sure Mr. Cureatz would be glad to take that application on.

Mr. Cureatz: I doubt it would be successful.

Mr. Renwick: Let me try again with the minister. What we are concerned about and what has not come through in any of the information you have given us--this complete, from your records, statistical information--is a sense about who got hurt, how they got hurt and what the result of the hurt was. These are people who have lost their employment, who in many cases will have difficulty getting hooked back in to the economic system.

Do you have case studies of any of the plant closures we are talking about? Do you have any follow-through to tell us what has happened to anybody in any of these particular areas?

Hon. Mr. Elgie: The manpower adjustment committees' report indicates the number of workers that were placed in new employment positions. However, if you are asking me if we have done individual case studies, I cannot recall any particular individual who was studied with regard to the impact of the closure. I have had conversations with many groups about the impact, and that, I think, is well reflected in the fact that we are preparing to do something to help some of these problems.

Mr. Renwick: I understand your desire to help, but you have not taken any one of these cases of a plant closure and studied it to see what happened to the people who were terminated and lost their employment, followed them back in to the work force or into welfare or whatever happens to them.

Hon. Mr. Elgie: No, we have not. We have data available about the changes in welfare in communities, data from the manpower adjustment committees and regional and general data that we have spoken to you about already.

Mr. Van Horne: Mr. Renwick, I have a supplementary if you would permit it.

In 1970, with the Kelvinator plant closing in London, there was a research study done by the business school of the University of Western Ontario. I am wondering, Jim, if you would accept any findings like that here at the committee if the ministry has not got follow-up. Apparently this is a fairly thorough study, albeit the event took place 10 years ago, but the players in the part, the workers who lost their jobs or had them changed were followed up, as I understand the study.

The supplementary to the committee would be, would we accept that if we could get our hands on it? I think likely we could.

Secondly I would ask the minister, are you suggesting to us that there is no research division within your ministry to follow up on plant closures and what happens to people? As I read the background information for the estimates that are coming up, there

is an analysis research and planning section. If I take a look at your annual report I cannot get from that that there is any of that kind of research going on. I think that is specifically what Mr. Renwick is after.

Mr. Armstrong: At the risk of being repetitive, we get the reports of each of the adjustment committees, which break down what has happened to those employees who have sought assistance--those that have been located in other jobs, those who have found work on their own and those who have withdrawn from the labour force. Those reports are all available and I guess can be shared with the committee.

In terms of any kind of profile of the psychological impact and so on, I must say I am not aware of that having been done.

There is also the adjustment committee's deliberations on the success and partial success and failure. That can be shared with you.

Mr. Renwick: I appreciate Mr. Van Horne's comment because of what I referred to as the Dunlop amendments in 1971. I tried at that time, unsuccessfully obviously, to have the 900 workers at Dunlop tracked to see if we could not follow through to see what happened to them. Now 10 years later I am back trying to get the same kind of information, unhappy that it is not available but delighted with my colleague's comment. Perhaps we could look to see if we could get that University of Western Ontario study of the Kelvinator plant.

While we are on that point, I was interested in Mr. William's questions to you and his presumptions that he wanted you to confirm about the result of this kind of legislation. Is there anything to your knowledge in your ministry, with the expertise which is available, which would indicate that there is any facet of the labour legislation of Ontario that is a disincentive to anybody coming here to carry on their business?

Hon. Mr. Elgie: Do I have any personal studies to verify that?

Mr. Renwick: Do you have evidence of any kind that what the Legislative Assembly over time has done with respect to labour relations in this province is a disincentive?

Hon. Mr. Elgie: From time to time I have had communications indicating that recent legislation and other legislation could be viewed by some as a disincentive. I do not happen to accept that.

Mr. Renwick: You don't have anybody who said, "We are not coming"?

Hon. Mr. Elgie: There are some people who have indicated to me that our termination provisions were excessive. I have had one tell me that.

Mr. Renwick: Are you saying that the Dunlop amendments have stopped people from coming?

Hon. Mr. Elgie: I have not had anybody come to me and say, "I would have come but for..." But I have had people indicate there are some things that have been passed that trouble them.

Mr. Renwick: I suppose what I am curious about is what you threw out one day in the assembly in the discussion of your statement, that we were determined by the North American experience--that is, the northern tier of states in the United States must determine what we in Ontario do to relieve hardship for the working people in the province as a result of plant closures and layoffs. I recall your saying that.

Hon. Mr. Elgie: I think you will appreciate, James, that companies or individuals, whoever is starting up a business, do not come to talk to me about their decision to open a plant. I think when you are discussing this with the Minister of Industry and Tourism tomorrow, you may find that he is well informed in that area, but in all honesty that does not happen to me. People do not come to me to consult about whether or not they should or should not open a business here.

Mr. Renwick: Another area in your statement that concerned me deeply was that the fifth part, the appointment of Mr. Joyce, the interministerial committee and all of that, has nothing to do with legislation. That is an administrative, conceptual plan that you have in the committee.

Are you unwilling to put into legislation requirements of consultation by industry in advance of notice to close?

5:20 p.m.

Hon. Mr. Elgie: I think what we are prepared to do is pretty well outlined in that statement. I suggest that when Mr. Joyce comes before you, he will give you an idea of what he sees as his mandate. I think what we feel is appropriate at this time is clearly outlined in the statement.

Mr. Renwick: Have you given Mr. Joyce a written mandate?

Hon. Mr. Elgie: We have drafted an outline for the job that we see that interministerial committee will be performing. We have also had correspondence about it.

Mr. Renwick: Would it be possible for us to have whatever communication, other than personal, that you have had with Mr. Joyce with respect to what you expect him to do and how you expect him to perform his responsibilities?

Hon. Mr. Elgie: There will be no problem. I would be pleased to give you the interministerial plant closure recommendation, along with a copy of the correspondence to Mr. Joyce.

Mr. Renwick: It would be helpful if we could have that before Mr. Joyce came before us.

Could I turn now to appendix E, "general industry summary of current large-scale layoffs and terminations," in volume one. It is dated October 31, 1980. In going through this I find a number of things which are of concern to me about the Adjustment Activity and Ministry of Labour Activity columns.

I take it, and if I am wrong, please tell me, that your role for practical purposes is passive with respect to the closures; other than in those cases when an adjustment committee has been established with provincial commitment to try to assist, as has been said, the orderly burial of the company, and to be some assistance to the work force.

Hon. Mr. Elgie: No, I don't think that's so. I think Mr. Armstrong has addressed himself to that. He has indicated that there is fairly active involvement of ministry staff. On occasion I received extensive memos about the rationale for the closure and any comments that the staff may have had about the closure.

Mr. Renwick: Let me take just one at random. I could, of course, take the the MacMillan Bloedel one--but that would not be fair to the members of the committee--because you and I were personally involved in it, in the sense that we had constituents who were concerned about it.

Let us take National Sewer Pipe Limited of Clarkson, on page four, as a random sample. I have no knowledge of that case. It is a Canadian company with a union and a collective agreement. On June 6, 1980, the effective date of the closure, August 1, 1980, is given. The adjustment committee has established that the company "is closing its Clarkson plant due to severe downturn in market. Plant closed during August 1980."

I want to get some sense of the vitality behind those words. What was the process? What was the document that was received? What telephone calls were made? What was the action of the ministry? Did they say: "Well, that's interesting. It's too bad the market has turned down"?

What could you tell us about the vitality of your ministry in coping with whether or not you are prepared to question in any way the reason given for the shutdown of that plant?

Hon. Mr. Elgie: I don't have any personal knowledge at hand at the moment, but I will ask Mr. Scott to run through the sort of process that is involved with each closure. If you wish to have more detailed information I will see what can be gathered up about that particular case.

Let Mr. Scott comment on the regular procedure that one runs through when we hear of a closure.

Mr. Scott: We receive notification of the proposed layoff or closure from two or three sources--sometimes directly from the company or from the Ministry of Industry and Tourism.

Upon receipt of that we work jointly with the federal authorities' manpower commission, which is a consultative team, to discuss it with the company to obtain the reasons for the closure, what is behind it, and, if necessary, to try to set up meetings with them to discuss in more detail.

We propose to the company the formation of a committee to see what their reaction is to that. That follows its natural process; sometimes the committees are formed, sometimes not. When a committee is formed, it comprises management and employee representation and a chairman is selected. A profile of the employees that are affected is secured and steps are taken over time to relocate employees in other employment.

Mr. Renwick: I am not interested in identifying any particular company, but would it be at all possible to have an example of the case history of one of these plant closures selected by you affecting more than 50 employees--that is, where there is a statutory obligation to have given the notice--which would include your adjustment committee, what meetings were attended, who attended them, what discussions were held, et cetera, so that we could see just what that activity of yours is?

If you look at them you see "Canada manpower consultative service advised," or, "adjustment committee established," or, "\$1,000 provincial commitment." When one reads the Ministry of Labour Activity I get simply a passive sense of noninvolvement--other than to receive the information and to proceed as best you can to make it easier, within very limited means, for people to get hooked into the system again somewhere else.

Mr. Scott: Mr. Renwick, I or the minister will see that you are provided with the complete profile of that particular case from beginning to end.

Mr. Renwick: Another matter that I am very interested in--it's almost like a swamp question, so I have to ask it open and straight--is there any point in this committee's trying to establish the nature and extent of the numbers involved in plant closures and partial closures and layoffs?

I say that because in your statement you indicated quite clearly that we could have a numbers game argument if we wanted to; that you felt your numbers were better than our numbers.

Hon. Mr. Elgie: If your numbers are correct I will say so.

Mr. Renwick: Just so we don't get lost in the numbers game, is there any shortcut by which you can verify this information to us? I noticed that you did not choose to break out the 50 plus, the cases where there was a statutory obligation to give notice; you moved it down to 25 in the classification part that you were dealing with.

Since presumably we are talking about at least temporary and immediate statutory amendments, would it be possible for us to get

the breakout of the ones who fulfilled their statutory obligations by giving you notice and which of these fall within that category? I know that we could probably go through it and do it, but can you do it?

5:30 p.m.

Hon. Mr. Elgie: I don't see any problem with that. I will certainly speak to staff about it, but offhand I don't see any problem with that.

Mr. Renwick: The other analytical question I need some help with: I think one classification is where there is a collective agreement, where there is a union representing the plant. I think that is clear and a good part of our discussions in the House and elsewhere have been in that kind of situation. There must be many others in the province who are laid off where you carefully note they do not include under the 25 and temporary layoff.

Is it your view that while the problem for the person laid off may be identical with respect to future employment and benefits received and opportunities to be involved, we should, as a committee, deal with those organizations in a different way? I was thinking of the large number of small organizations where the plants are not unionized. Or do we just deal with the labour force in the province who get hurt in this way across the board?

Hon. Mr. Elgie: Of course, the over 50, it does not matter whether it is a union or nonunion--

Mr. Renwick: No, I understand that.

Hon. Mr. Elgie: And similarly with the over 25, we do not make any distinction like that. Certainly I have a desire to get information about the number of closures and the number of employees affected, no matter what the size of the plant is. That data is not available at the moment to us, or to anybody that I know of.

If you are suggesting that we should look at ways and means of acquiring it, I think we have, but we are prepared to do it again. The problem is how do we get at that kind of material.

Nick, have you done any thinking about this?

Mr. Ignatieff: I asked Frank Whittingham to join us, and I think perhaps he has done more than I, but clearly, our present source--as the deputy pointed out--for layoffs below 25 is from the information collected by the Canada Employment and Immigration Commission. My understanding of their process is they have fairly recently issued instructions to their regional office network to collect information that becomes available to them through any source. They draw on newspapers and any union employee-employer contact they have, and they have an extensive network. So that is where their information comes from.

To my knowledge, it does not rely on any statutory base or

regular document that has a statutory base. So while it is extensive, it is hunt and pick. There is nothing to prevent us--in fact we can undertake to make efforts to contact him and see whether they might be able to give us information in terms of layoffs below the 25 threshold with some greater precision. I do not have a great deal of confidence in it, but it might be better than nothing.

Mr. Renwick: I think that is my problem. What I am wondering about--and I don't need to have an answer now, I guess we will have to deal with it--is whether or not the statistical information available to the ministry is adequate at the present time. It is all put out here, but there are large gaps and qualifications with respect to its completeness.

And I come back to where I started. There does not seem to me to be a hell of a lot of point in this committee delving into and trying to improve on the information available. On the other hand, I do not think there is much point in us getting into an argument with you as to whether you are right or we are right about it. But we may possibly want to be in a position where we could improve, in a statutory way, the statistical obligation of employers in the province to provide the kind of information which we would need so that at least we got the full nature and extent of the problem.

The other part of it is, are you the proper ministry to do that? Or is that something that Industry and Tourism should do?

Hon. Mr. Elgie: No, I think probably that kind of information should come through us, and that kind of discussion about that information would be very interesting. We would also have to look at the practicality of obtaining it but regardless of that, if it is going to add to our data base, and give us information that helps in decisions, then we have to look at it.

Mr. Renwick: Thank you, Mr. Chairman.

Mr. Mackenzie: Mr. Minister, I have only one thing to raise on the question of figures because I know that my colleague wants to go into it in a little more detail. But I also have some serious reservations about the figures we have, and some of them come from a letter you may recall you sent to me on July 16 this year.

In that letter you say, if I can quote you directly: "Thank you for your letter of May 15, 1980, requesting information concerning layoffs in Ontario." Then you say: "As you know, at the present time there are no comprehensive data on permanent or indefinite layoffs occurring in Ontario. It is therefore impossible to know how many layoffs took place, and what are the characteristics of those laid-off employees were."

Now that is just this past July, and you were telling us you didn't have the mechanism, you didn't have the information necessary in terms of the number of people that had been laid off. That is why I really have some reservations about the kind of figures you are presenting to us, and why we have specific

questions, because our numbers do not add up in comparison with yours.

Hon. Mr. Elgie: I think that is the sort of thing that this committee should talk to our research director about, because I can tell you in all openness that we have no desire other than yours, and that is to get the right data, my friend. We are trying to do it through co-operation with CEIC and wherever we can find that data. And some of the information that we have given you here today presumably is the result of those endeavours.

Mr. Whittingham, do have comments on that?

Mr. Mackenzie: There is a further--

Hon. Mr. Elgie: Let Mr. Whittingham just comment on the data that is in here.

Dr. Whittingham: I wonder, Mr. Chairman, if I could comment first on the confusion that arose earlier in terms of the figure we have in the table for July, the 3,526, and where that figure comes from. In examining the material I have received, I would like to refer to table seven of that material. This is the information that was Xeroxed and circulated earlier.

Table seven represents a work sheet that we use in the ministry for monitoring information coming to us. For example, the first entry is Microtel, and the information indicates that 120 employees were laid off. If you go over to the right hand side under source, you will see that we have an X under both EAS and CMC, which means we received the same information from those two sources, and it was verified by our employment adjustment service. That is a solid figure, the 120.

The problem in using this work sheet and just adding up this column of numbers under "Number Affected" is that it does lead you to some double counting. I think we can use the next two entries, Algoma Steel, to illustrate that.

The first entry for Algoma Steel indicates 510 employees were affected. We have that under our employment adjustment service and for our purposes that is a solid figure. And we only include in our series those figures that have been verified by our employment adjustment service, therefore, we have an X under EAS.

The third entry is also Algoma Steel, 266. We picked that information up from our CMC office, but we do not include that in our total because that 266 is included in the 510, the second entry. So you end up inflating the numbers as a result of using this work sheet, just by adding the column up.

5:40 p.m.

If you were to add up from this column only those figures where we have an X under our employment adjustment service as the source, you would come to 3,526, which is the figure we have on the first page under terminations. And that is the figure which

appears in our table three submitted to you earlier today for the month of July.

Mr. Cooke: Could I ask a question on that? The figure, for example, where there is obviously no overlap, if in fact Algoma Steel in that particular instance is being counted one and a half times, then I guess I can buy the argument that it should not be counted one and a half times. I am not sure why it is listed the way it is, but in other particular examples where there are layoffs, for example, Daymond Limited, Chatham, July 11, 75 indefinites, that would not be double counted any place, but it would not be counted in your total because it has not been confirmed by the EAS. Is that correct?

Dr. Whittingham: To illustrate the problem there, can we use Budd Automotive which is the seventh line down? Budd Automotive reported 68 laid off and we picked that up from CMC. Now we do not enter a figure until it has been picked up and verified by our employment adjustment service. We picked up that 65 in the month of September from our employment adjustment service, so that figure of 65 is in our September figures, not our August figures.

Mr. Cooke: That is in the case of Budd Automotive?

Dr. Whittingham: That is in the case of Budd Automotive.

Mr. Cooke: What about in the case of Daymond?

Dr. Whittingham: I do not have the specific information, but I can assure you that given the process we try to follow, as reported by the UIC, Daymond would not be in our July figure, unless it is reported somewhere else in table seven for July which I do not believe it is.

Mr. Cooke: Why would Daymond not have given you notification? It is over 50 employees. Why would you not have received it through the normal procedures?

Dr. Whittingham: Through the employment adjustment?

Mr. Cooke: Right.

Dr. Whittingham: I can only speculate that we would have picked that up in the month of September because of a time lag, and that could be checked out. But that would be my speculation on it.

Hon. Mr. Elgie: Will you follow up on the Daymond and just (inaudible)?

Dr. Whittingham: Yes.

Mr. Cooke: I guess what it leads to is that it is very confusing and very difficult. It is obvious, from your letter that Mr. Mackenzie quoted and from another document we have from 1974-75 from your ministry which says exactly the same thing, that you have no accurate way of finding out exactly how many

indefinite and definite layoffs are going on in this province, that your statistical gathering leaves a lot to be desired.

And it is rather amazing to me that in a province like Ontario a ministry of this size does not gather statistics in a better way, so we can monitor the situation and do some planning in this province to find out how many people are being affected by layoffs.

I understand what you are saying about this data, but I am not sure that I buy it, because when I look at some of the other material you have presented to us, in your list of plant closures Bendix is not included.

Maybe there is a reason it is not included on the list. Maybe it is listed in another area of your documents here, but it is not listed in the appendix D, which is supposed to list all of the complete plant closures. And that is only one that I picked up without looking through our list.

There has to be a better way of pulling statistics together so we know what the heck is going on in this province with the indefinite and definite layoffs, and plant closures.

Dr. Whittingham: I wonder if I could just respond to that briefly. Trying to collect information on all employers and employees in this province becomes a very expensive operation because approximately 88 per cent of all establishments in Ontario employ fewer than 20 employees. That is our estimate based on information we have from Statistics Canada.

Mr. Cooke: We are talking here about 25 or more.

Dr. Whittingham: Twenty-five or more, I appreciate that. We have actually three people in the whole ministry responsible for the employment adjustment service plus the information flow. I am not trying to present excuses. I think any administrative source of information will never be 100 per cent complete, even though there may be some requirements to report under legislation.

Hon. Mr. Elgie: I think if you would look at table F which deals with layoffs in the auto industry as opposed to general industry, Bendix is listed there.

Mr. Cooke: I found that, it is there, but I was looking at the other one.

Hon. Mr. Elgie: You were looking at the general industry.

Mr. Armstrong: Mr. Minister, if I can, on the Bendix thing, this was prepared for the committee's use. The first column is the month of the announcement of closure. The information I had is that the Bendix announcement preceded the period reported.

Mr. Cooke: Did what?

Mr. Armstrong: Preceded the period we are dealing with here, the announcement of the Bendix closing.

Mr. Cooke: The Bendix announcement was made in June of 1980. I remember it very vividly.

Mr. Ignatieff: The information I am getting is that we received notice in November or December of 1979.

Mr. Cooke: That is interesting, because we asked a lot of questions in the House to which everybody said they did not know a damned thing about what was going on with Bendix.

Mr. Mackenzie: I want to read from the letter you will recall writing to me on July 16, 1980. I want to read to you now from a review of known permanent and indefinite layoffs involving 25 or more employees in Ontario, fiscal year 1974-75, for circulation within the Ministry of Labour only, research branch.

"At the present time there are no comprehensive data on permanent or indefinite layoffs occurring in Ontario. It is therefore impossible to know how many layoffs took place and what the characteristics of those laid-off employees were."

It goes on to say, "This report deals with information collected and verified by employment adjustment service," which is exactly what the next sentence was in the letter you sent to me in July of 1980.

How in God's name have we gone from 1974-75 with the kind of an unemployment situation or plant closures we have had, and the ups and downs of it, without better setup? It is not a good enough answer to say we have three people involved in the statistics. It is exactly the same information five years later.

Hon. Mr. Elgie: I will review that letter and the response to you, but I think the people who gather the data are here. What they are doing or trying to do is beyond reproach and the data they are giving you is their honest evaluation of the material that is there. You do not doubt that, do you?

Mr. Mackenzie: I challenge that. It is the preparation for it that puts us in a hell of a position.

Mr. Minister, I also have two or three other quick questions. I would like a little more reaction from you in terms of the manpower adjustment measures in the Bendix operation. As I recall, you were asked a question in the House on that. I am not up on your answer, but I know that the information we have in our possession was a letter from Earl C. Smith, president of Bendix Corporation, to some of the federal authorities, in which he pointed out that they were conducting interviews. The interviews, we understand, were one day at the Holiday Inn and essentially were how to prepare resumes, marketing strategies, job interview techniques, and so on.

I can tell you it certainly did not meet with the satisfaction of the union involved, at least. There was no committee set up there whatsoever and you had 500 or 600 employees involved.

Hon. Mr. Elgie: Clearly that is why I proposed the amendment with regard to manpower adjustment committees and why the extended role of the interministerial committee will be very valuable in those situations.

Mr. Mackenzie: I ask you also, Mr. Minister, when you send us the information that my colleague, Mr. Renwick, asked for on Mr. Joyce's role, and I am not in this knocking Mr. Joyce at all, but whether or not he has specifically any authority to request any opening of the books or firm justification or if his role is one really of presiding over an orderly, as painless as possible, shutdown of a plant

5:50 p.m.

Hon. Mr. Elgie: I think when those of the committee who do not know Mr. Joyce meet with him, they will see that in Mr. Joyce we have a very shrewd man who will be able to evaluate the closure. As I have said in the House and outside the House, if there is any indication from him that he feels he is not getting the whole story, then clearly that is the kind of information we need.

Mr. Mackenzie: Yes, but it is not a question of the whole story, Mr. Minister, it is a question of whether or not he has any authority at any stage in the game to say no or hold off, or whether he really is an undertaker to preside over the shutdown of that plant.

Hon. Mr. Elgie: He is there to evaluate the reasons for the closure and the possibilities of it continuing in some way, and then to trigger the other mechanisms that I spoke about in the statement with regard to the hardships facing employees as a result of the closure.

I have said repeatedly that his first role is to evaluate the closure and if I have any indication from him that the information he is receiving does not satisfy him, then clearly that is something we have to look at. That is the kind of information we do not have now.

Mr. Mackenzie: Then can I ask you, Mr. Minister, why you told us in your earlier presentation that your role in the case of National Steel Car--and I do not doubt that you made efforts--that your role in Columbus McKinnon, which I have raised with you before and we have argued about, is one to try to persuade?

Does the minister have any power at all, or does he perceive the necessity of any power at all, to at some point be able to say to a company, "No, you cannot do it," or is that something that is totally out of your realm of authority?

Hon. Mr. Elgie: Do I have the authority? No, I do not have the authority to do that.

Mr. Mackenzie: I do not see a request for that in your points in the House also.

Hon. Mr. Elgie: No, but clearly, as I have said in the House and I have said outside and said here, if there is any reason to believe we are not receiving the data that supports the position, then that is something we have to look at.

Mr. Mackenzie: The question of looking at it and the question of how tough we argue with them is not really the point. Are you looking at any legislation that gives you any authority to interfere in their operations if you do not believe you are getting all of the information necessary?

Hon. Mr. Elgie: I am looking at the things I have spoken about in my statement and the matters I have referred to in the role Mr. Joyce will have.

Mr. Mackenzie: You are also aware of the statements we have had from Mr. Grossman in the House that it is not our policy to interfere with the operations of any company or corporation. Are you prepared to fight or override that particular position in cabinet or in the government?

Hon. Mr. Elgie: I am prepared to receive reports from Mr. Joyce and make recommendations on the basis of them.

Mr. Mackenzie: Without any legislation or support to back up a firm move.

Hon. Mr. Elgie: I have really nothing to add beyond that. I think I have outlined my position pretty clearly.

Mr. Cureatz: It is nearing the hour of six o'clock. What is the procedure for the committee?

Mr. Chairman: The committee had arranged, and I stand to be corrected on this, but my understanding certainly was that we were going to go until this afternoon. I, and I suspect others, have made other commitments. We have two people who wish to ask questions.

Hon. Mr. Elgie: Mr. Chairman, could I interject once with regard to what David Cooke was asking, because I have some recollection as to Bendix. I recall in November 1979--now it does ring a bell--the employees were advised of indefinite layoffs, and later on that changed to a closure, so our records were based on the November 1979 information as was the information to the employees, but at that time the closure was not contemplated and that is why it was not--

Mr. Cooke: That was November 1979 and it was only, I think, 250 employees who were involved in the indefinite layoff. Obviously the closure involved more than double that number of employees.

Hon. Mr. Elgie: Anyway, that is why that particular one was not in the records.

Mr. Cureatz: What are we doing here? Are we going past six o'clock?

Mr. Chairman: We have two alternatives, Mr. Cureatz, and that is to complete the two or three questioners now, or a much more serious challenge to the committee is to find an opportunity to complete this brief line of questioning. I think under the circumstances it would be better to try to do it in the next few minutes before us.

Mr. Ramsay: Mr. Chairman, with the greatest of respect, I think early in the piece is when we should establish what our ground rules are going to be in this committee so that we do not do one thing one night and another thing on another evening on an ad hoc basis.

Mr. Chairman: The fact that there were a number of people on the list was clear. I made a point of making it clear to the members of the committee the clock is as visible to me as it is to everyone else.

We have, I say again, two alternatives now. The three remaining people on the list will be scratched or we will take some very few minutes to complete this line of questioning.

Mr. O'Neil: Who is on the list?

Mr. Chairman: Mr. Cooke, Mr. Van Horne and Mr. Mancini.

Mr. Mancini: Mr. Ramsay would like to know on a future basis if we are going to extend the time limit when we get this particular problem or if the committee is going to finish at a particular time and carry on the next day.

Mr. Chairman: I am in the hands of the committee but my hope and understanding has always been that we do complete at six o'clock unless that is impossible.

Mr. O'Neil: Mr. Cooke has just mentioned that he is finished. Who else is on the list?

Mr. Chairman: Mr. Van Horne, your colleague, and Mr. Mancini, your colleague.

Mr. Cooke: In that case, let us adjourn.

Mr. Mancini: My comments will deal with some of the work of the committee and how the committee has to plan. We struck a subcommittee the other day and it has been discussed by some members that perhaps it is not appropriate, so before the subcommittee gets off too far in doing some things I thought it would be most appropriate to bring the matter back to the committee.

Mr. Chairman: Remember there is an eight o'clock meeting and everybody is invited tomorrow morning.

Mr. O'Neil: Could those points that Mr. Mancini wants to discuss be discussed at eight o'clock this evening or in the morning?

Mr. Chairman: That makes sense.

Mr. Van Horne: Again, Mr. Chairman, I think that Mr. Ramsay's point should be addressed. If we are going to go beyond the normal hour it would have to be by unanimous consent of the committee.

For the committee's information, I have two questions which can be answered by a simple yes or no by the minister. It should not take more than two minutes.

Hon. Mr. Elgie: As long as it is not, "Have you stopped beating your wife?" because I refuse to say yes or no to that.

Mr. Van Horne: Would it, in your opinion, be worth this committee's while to ask that the research director--given the mandate, as I understand it, of the research department is the assessment and formulation of government policy as stated in your annual report--would it be worth our while to have him appear before us?

Second, would it be worth our while to have Mr. Pollock visit us, given his mandate as the chairman of the manpower commission and some of the direct responsibilities he has for mobility of the work force just as one topic? Would it be worth our while to have the research director and Mr. Pollock at this committee?

Hon. Mr. Elgie: I think we are all prepared to come back. Dr. Whittingham was here today; he is available to provide data but not policy information that he gives to me.

Mr. Van Horne: We are trying to understand how the process works in part.

Hon. Mr. Elgie: Any data that he can provide you that does not contain any of the recommendations that may come to me from policy division or research division he is free to talk about if you wish him to come back and give you that kind of data.

Mr. Van Horne: I do not want to see us waste time. In your view, would it be worth our while?

Hon. Mr. Elgie: I think you should wait until you have issues confronting you that you want information about. Your consultant is going to be in touch with someone in my ministry and can gather data that he sees relevant to the issues before the committee. Any time you feel that there is a need to bring him back, he is available to come.

Mr. Van Horne: I do not know about Mr. Pollock.

Hon. Mr. Elgie: He really has not had much to do or anything to do with the matters that are before this committee.

Mr. Van Horne: He used to present some kind of report, as I understand it, you said on more than one occasion between July and December, 1980.

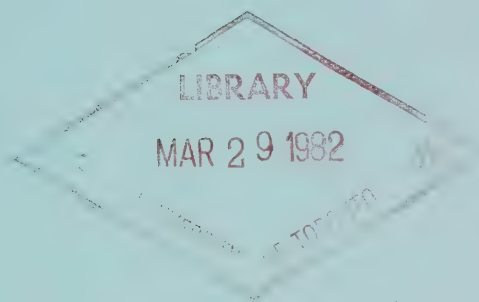
Hon. Mr. Elgie: That report, first of all, deals with labour market information data and, as you know, one of the major projects that he has set himself in the commission has been the matter of skills training in the industrial sector and that is a report that will be forthcoming to cabinet for a policy decision. Both of those things I have mentioned before, but the commission has not addressed itself, neither am I sure it should, to the issue of plant closures so he would have no data to give you on that.

Mr. Chairman: On behalf of the committee, Mr. Minister and your staff, thank you very much on such short notice taking the time to meet with us. The committee is adjourned until 10 a.m. tomorrow morning.

The committee adjourned at 6 p.m.

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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

MINISTRY OF INDUSTRY AND TOURISM POLICY

WEDNESDAY, NOVEMBER 5, 1980

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Renwick, J.A. (Riverdale NDP)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researcher: Jennings, R.F.

From the Ministry of Industry and Tourism:
Allan, D.M., Assistant Deputy Minister, Industry
Grossman, Hon. L., Minister
Smith, B., Executive Director,
Policy and Priorities Division

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, NOVEMBER 5, 1980

The committee met at 10:17 a.m. in room 151.

MINISTRY OF INDUSTRY AND TOURISM POLICY

Mr. Chairman: I will call the committee to order. I want to briefly touch on some of the several things we wish to finalize today.

I am not going to begin with the report of the subcommittee which met at eight o'clock this morning. In deference to the committee and the minister and his staff, we want to proceed with this discussion. It is my hope that we can complete perhaps by mid-day, certainly by four o'clock, the matters before us today dealing initially with the ministry.

I want to take at least an hour--if that means three to four, so be it; it is in the hands of the committee and it might be 11:30 to 12:30--to discuss those matters that were before the subcommittee and to get some clear understanding of where we are going after today, in order that we can give advice to those who wish to appear before this committee, or to those whom we wish to invite to appear before the committee.

Having said that, I would just like, on behalf of the committee, to thank the minister and his staff for this appearance under relatively short notice. You are the third ministry we have met with. As you know, we started on Monday with a, I will use the word "briefing" from the people in Consumer and Commercial Relations.

Mr. Mancini: On a point of order, it was my understanding that the committee would sit only this morning, today. Maybe I understood wrongly. It was not until this morning at our subcommittee meeting that we decided we would sit during the afternoon on Wednesday.

I wonder if it would be possible, as I have made other arrangements for this afternoon, if we could possibly sit through the noon hour, if need be, to get the matters before us completed.

Mr. Chairman: If I may make two suggestions before opening this up for discussion, in fact, what we did agree to this morning had to do with Wednesdays--you are right--morning and afternoon, but my understanding, and I stand to be corrected, is that last week we had agreed to sit Monday, Tuesday and Wednesday, and that by the end of our meeting or deliberations this day, Wednesday, and I took that to mean Wednesday afternoon, we would finalize the other timetable.

Mr. Mancini, if we can address that question at 12 o'clock, we may find ourselves in a position where we can perhaps wrap up

at noon, but I do not think that is a decision we can make just yet.

Mr. Mancini: That is fine, Mr. Chairman.

Mr. Chairman: So again, I thank the minister and his staff for appearing. As I say, the briefing did concentrate on the pension benefits legislation now in effect in Ontario. On Monday and yesterday there was some good detailed look at ample briefing material on the existing Employment Standards Act and discussion around severance.

I defer to the committee obviously and to the minister and his people. We think we would like to know how you perceive you fit in this dialogue, in this mandate of this committee. To that end, if you have some opening statements, they would be welcome. Or is it your wish to respond to questions?

Hon. Mr. Grossman: Thank you, Mr. Chairman. We do obviously wish we had had more notice, although I agree with the pace at which the committee is working. We are desirous of accommodating the committee's needs in whatever way we can. I say that now so you can keep it in mind as your deliberations continue over the next couple of weeks. If we can serve in any way as one of the resource points for material, advice, information, we stand ready to do that.

Mr. Chairman: Thank you for that. From the committee, we have Mr. Rick Jennings, our consultant from the legislative library staff here, and Mr. Graham White, who would be the contacts at our end.

10:20 a.m.

Hon. Mr. Grossman: Okay. Brock Smith, who is at my right, is head of our policy and priorities branch, executive director of policy and priorities. Either Brock or someone working for him will be the co-ordinating point with the committee.

I mention that at the top, Mr. Chairman, because the main message I have this morning is that I would hope the committee would be sure it is acting upon a broad base of information and the best available information when it makes its final deliberations. No one has, I suppose, all the definitive answers in this area.

The job, in my view, for government--not just my ministry, but for the government at large--is to create and maintain a healthy social climate and create and maintain a healthy business climate. Without the latter, you do not have the jobs, and without the jobs, you cannot possibly have a healthy social climate. That is why I want to make sure that you keep in place a sufficient degree of both business initiatives and social services that are affordable and that make sense in order to achieve the two goals that I suggest for government.

One of the things I regret about the public perception of the last several months is that there seems to be an understanding

or a belief that those goals, i.e., a good social climate and a good business climate, are sometimes mutually exclusive. That just is not the case. One can--and I think Ontario is the classic example--structure a social climate and a strong business climate together. If it is done properly, indeed one should create and feed the other.

It is ridiculous for anyone to presume that business people do not care about social issues, or that they do not care about employees. It is equally ridiculous to presume that unions, employees, do not care about economic issues. It is ridiculous to presume that the unions do not care about the health of their employers' business or that they do not care about the business climate. Both of those assumptions or presumptions would be unfair and inaccurate perceptions of polarization which, in fact, is not out there in my view.

It is a challenge for government to keep that polarization from developing. It is something that this committee has to be particularly careful about in its deliberations. In essence, what I am saying is that it is a challenge for government and this committee to avoid swinging the pendulum too far in one direction or another. That is the job for government at any particular time.

All governments have succumbed to that at one time or another, and it is the challenge for us in the highly pitched emotional climate. And it has to be and justifiably is a highly pitched emotional climate. There are a number of people who have seen their plants close and their jobs gone permanently, indefinitely, or even temporarily. That is so traumatic and emotional that it causes a great deal of concern, justifiably and understandably, and the job for government is to react to that in a balanced way.

We are sitting here today partly because we have had plant closures operating, paradoxically, at about the same level, as Dr. Elgie pointed out yesterday to you, as two years ago. But it has been highlighted in this current round.

Mr. Chairman: Can I just ask--sorry to interrupt, Larry--a question that went through my mind yesterday, and there was no automatic answer and I still do not know. I do not want to belabour this, but the numbers, as I recall them, showed the bump-up this year, obviously, comparable to the bump-up in 1976-77. I cannot recall offhand what was the situation in 1976-77. Was there one major layoff, a series of related layoffs? There obviously must have been some ripple effects at work in the economy in 1976-77. I just simply do not recall, and I think the others would be interested in this.

Hon. Mr. Grossman: I can take you through. There is sometimes a bit of a difference in the categorization. But I think the figures, taken in a general way, will tell a story.

I can take you from fiscal 1974-75 to fiscal 1978-79: manufacturing closures. I will just read the numbers, beginning with 1974-75 fiscal year ending with 1978-79 fiscal year.

Thirty-seven closures in 1974-75, 31 in 1975-76, 51 in 1976-77, 35--

Mr. Mancini: Would you go over that again?

Hon. Mr. Grossman: I will read consecutive years for fiscal 1974-75: 37, 31, 51, 35, 31. Now if you have that Lottario number, you may--

Mr. Turner: Would it be possible to get a copy of that just for our perusal?

Hon. Mr. Grossman: Anything we give you we will be filing the material subsequently.

Mr. Turner: Will you? Thank you.

Hon. Mr. Grossman: I think I might pause to say that the figure will likely, this year, end up around 50, which would be the same as 1976-77.

Mr. Chairman: Again, I do not want to belabour this, but there is not a person in this room who could not respond as to what caused the high number this year. It is evident when we start with the automobile thing. But in 1976-77, was there one--

Hon. Mr. Grossman: The same thing.

Mr. Chairman: It was the same thing. Okay.

Mr. Turner: That was a very low point in the manufacturing industry in this province.

Mr. Mancini: Just a supplementary question. These figures that we have received from the minister, those are plant closings of employees 50 and more, or 25 and more, or how does that relate?

Hon. Mr. Grossman: The best way to answer that question is to give you the number of employees affected. The answers are that in those years, as you will see from the figures we file, the manufacturing employees affected are as follows, again, beginning with 1974: 3,568, 3,365, 4,945, 3,469, 3,845, and 1979-80 will be 4,386.

I wonder if I might just conclude my short opening statement and then I will go to questions. That might be more helpful to me. Will that be okay?

There are two things we should keep in mind with regard to those kinds of figures, and we will get into this perhaps in questions. That is the normal pattern for industrialized jurisdictions and in the very good years--and there were some very good years for our economy--the low point was 31; the high point is about 50. Behind those figures, we should also remember that in each year about a dozen of those are relocations within Ontario.

I trust the committee will be able to get comparable figures

from American jurisdictions, some of which, strangely, do not track that information as well as we do here in Ontario and in Canada. I think you will find there are a great number of studies which indicate that given the number of manufacturing firms we have, that sort of movement and mobility is quite a normal one, which is not, however, to say that the bulge we have seen this year back to the 1976-77 levels is not a matter of concern. We should also not forget about the layoffs, quite apart from the plant closures, because the layoffs have seen a bulge in this year.

We are sitting here partly because, in the face of those closures, which are at the same level as two years ago, they have been highlighted by some, in my view, stupid and unfair behaviour by some of the companies. Given that, we must find ways to solve the problems of the occasional unfair and ridiculous behaviour by some firms that are closing and act on the basis of fact, not emotion.

Let us look at what we believe to be some of the facts I think you ought to be looking at.

10:30 a.m.

Firstly, there is a great degree of competition for investment. This morning I have brought with me, and will be filing with the committee, copies of an excerpt from something called, Site Selection Handbook, September 1979, which consists of three pages of incentives that are available for industries seeking to locate in any of the 50 states.

A quick perusal of the chart, which breaks it out by state and by incentives, will indicate to the committee members that with Ontario and Canada, using very minimal tools and quite clear and direct tools--the employment development fund grant being our essential and almost only tool--we are faced with probably at least the number indicated in the chart as what are considered to be incentives for industry locating in various states of the union, plus many more that are hidden.

It is no secret that some of the larger auto investments in the United States were landed by virtue of tremendous amounts of government assistance. In most cases you cannot even find out what the total number was.

Nissan recently went into Tennessee. The key thing there was a \$450 million revenue bond financing, which means that \$450 million of the investment will be financed through the federal tax structure, at about six or seven per cent I would suppose. You will see from this tax incentive drive that it goes on to the whole question of availability of industrial revenue bond financing and something called "special services for investor development."

Needless to say, there are things here like, "state provides free land," "state-owned industrial park sites," "cities and/or counties provide free land for industry." It goes on to talk about those states which offer, and very aggressively, right-to-work legislation--something we frown on in this province and which my

ministry never has, never would and never will advocate. To pretend that those kinds of things are not part of the decision-making process is to ignore some realities. An awareness of this kind of competition should be in the minds of the committee. Too, the committee should understand that is where the competition is. It is among North American jurisdictions.

Another point that the committee must consider is the role of unemployment insurance. I do not know what the definitive conclusion of the committee ought to be, or what mine is at the present time. We must remember that the UIC was set up to play a role of providing transitional income for laid-off workers. As I recall, when Mr. Mackasey introduced the most recent major amendments to UIC he justified them at some length in the House of Commons on the basis that Canada was going through a severe structural adjustment, that there would be larger layoffs than previously, and that the system must be enriched in order to accommodate that oncoming bulge.

Did UIC accomplish that? Is that what it is there for? Are we enriching the system which those charged primarily with the responsibility for deem to be sufficient? If it is not sufficient, are those in a position to rectify that shortfall about to do so directly through the UIC program?

I have here an excerpt from the federal budget. I quote from page five: "Competition means that the most efficient and enterprising will flourish and grow. It also means that the less efficient decline." That is not an unusual statement. "That should not be prevented," it goes on to say, "and measures to assist declining industries to adjust to changing economic circumstances should be limited to helping the process of adjustment and easing the social costs."

The budget also went on to say--I quote from the Minister of Finance--"I would like to announce at this time that a special allocation of \$350 million over four years has been made to promote industrial restructuring and manpower retraining and mobility in areas of particular need. The total amount has been divided equally between the economic envelope and social affairs envelopes." I think that is an important statement. "My colleagues"--Mr. MacEachen's, not mine--"the Minister of Industry, Trade and Commerce and the Minister of Employment and Immigration will soon be announcing program details."

I simply say that as this committee deliberates the advantages to be gained from implementing across-the-board changes in severance pay, notice provisions and the various other things you are contemplating, we would find ourselves in an unusual position if the very problem we are seeking to solve is going to be addressed on a national basis--pursuant to the budget statement--in the next couple of weeks or months or next spring, and therefore, put ourselves in a doubling-up situation. We will have acted with Ontario's taxpayers' dollars, Ontario industry's dollars and the dollars of Ontario employees to fund some of the programs that have been suggested, when the federal government may be moving in--if I read the budget statement properly--to solve that very problem.

While it is somewhat attractive to suggest that firms close for a variety of reasons not related to the economics of the firm, in my view, which I guess will be challenged here, having dealt with a great number of firms both in good times and bad I am fairly satisfied that firms do close plants for economic reasons, not reasons of patriotism.

After all the restructuring that is going on in the automotive industry, why are firms closing up? Why are they laying people off? They are laying off and closing in order to retrench; to firm up their physical positions so that they will be able to survive this incredible downturn in the market. A firm does not survive a downturn in the market by making a less economic but more patriotic choice.

A firm, if it is well run and well managed, makes the right economic choice, and in some cases--I would cite Budd as one--that economic choice is in favour of Canada. It is not a situation, I suggest where, by and large, firms are making noneconomic but patriotic decisions in an attempt to survive by going back to the United States. That just would not make economic sense.

The Minister of Labour (Mr. Elgie) was talking here yesterday about 41 firms that have been affected. We had a chance to run through those 41 firms between yesterday and today. The committee might be interested to know that the breakout of Canadian-owned versus foreign-owned out of those 41 firms is as follows: 29 establishments, affecting 3,736 employees, were Canadian-owned; 12 of the establishments, affecting 2,200 employees, were foreign-owned.

Mr. O'Neil: Excuse me for interrupting, Mr. Minister. Some of the statistics that we went over yesterday--I forget how many pages there are at the back, some 30 I think--do not seem to bear that out. It seems that pretty well every one is listed as an American firm; there are very few Canadian-owned companies listed. Yet you are coming up with numbers of 29 Canadian and 12 foreign.

Do you have those same statistics that the Minister of Labour handed out to us yesterday?

Hon. Mr. Grossman: Are you talking about closures?

Mr. O'Neil: Closures, yes.

Hon. Mr. Grossman: This is taken from Ministry of Labour information.

Mr. O'Neil: Do you have these?

10:40 a.m.

Hon. Mr. Grossman: Yes.

Mr. O'Neil: We could count those at the back, but I--

Hon. Mr. Grossman: If there is any concern raised--I don't think we have to debate it out here--we will be pleased to

co-ordinate any concerns you have obviously with the committee at a staff level.

Mr. Mancini: I have a supplementary.

Mr. Chairman: I think the minister has nearly completed, Mr. Mancini. You are on the list. Can we proceed?

Hon. Mr. Grossman: Committee members should keep in mind that businesses do not like to close plants. That has been my experience in dealing with them. It costs them money. They have a large investment in capital and equipment. Invariably they have to walk away from it and get either nothing, or very little, for the assets that they have invested, which in most cases is several million dollars. The last alternative, obviously, is closing plants.

Our experience shows that companies do not like to lose their work force; they like to keep their work force not only in the community but working for them as long as possible. One of my concerns is that if notice periods were to be extended to, say, six months, you would find a great number of firms in the auto industry serving layoff notices at an earlier rather than a later stage.

If a firm in the auto industry were required to give six months' notice of layoffs, and was not sure at this stage about the auto industry's recovery next March or April, then I think six months' notice of severance may mean that a well-run firm, wishing to obey the law, would say to a great number of its auto workers this November, when its new cars are just starting to move off the line, "Here is six months' notice of layoff to take effect next April," hoping that sales will improve in the spring, as they predict, and that they can revoke the layoff notice next spring.

I wonder if that is very helpful to anyone. Certainly the worker will know what the reason is for giving this lengthy notice and therefore will not be taking advantage of what notice is there for; that is, to find alternative employment. He will know that the notice was given to stay inside the notice provisions. He will assess the situation and make his own decision whether he is going to take advantage of that or not.

It will certainly cause a great deal of unrest among the families that have been given notice of layoffs, in the event that the market does not improve next spring. You may cause a great number of layoff notices to be given that otherwise would not be given.

Dr. Elgie and I have spoken to a great number of the firms that have closed. They have kept their people on, in many cases, long after they might otherwise have done. They do not want to lose their work force; they want them in the plant. It is not altruism; it is good to have your work force there working as long as you can possibly keep them in place. It keeps them in your community. It keeps them loyal to the company. And that in fact is what happens out there.

I wonder, and I think the committee must wonder, about the effects of some things they are doing. I think an interesting view on that is the proper attempt that was made to deal with this whole question of layoffs and recalls from layoffs when the question was raised in the Legislature last week. It seemed to be outrageous at the time, but when one analyses it, one finds it was quite the opposite. I want to set it as an example of where something that was intended to operate fairly and equitably, by way of negotiated, but institutionalized, across-the-board rules, ended up helping very few or no one; at least, it did not solve the problem.

The situation raised in Legislature last week was that of a Ford worker who was laid off some time ago and was recalled when Ford needed someone for two months to help in retooling. They knew they only needed him for two months to help in a certain part of the process. If things went well, perhaps they would be keeping him on, but it was unpredictable at this time.

The law required that a worker of his category, with his years of service, get two months' notice of layoff in that sort of situation. So in order that they comply with the law, they recalled the worker. The day he came back they said to him, and he understood it, "We want you for two weeks and we need you for two weeks, therefore to call you back we have to hand you this layoff notice for two months. Here is your two months' notice of layoff."

The real problem arose in the fact that for all the right reasons, the company and the union had agreed that recalls must be in order of seniority so they recalled the senior worker. Before the recall, that worker went out and got another job to supplement his income during the layoff period. When the recall came, he was obliged to take it because, for all the right reasons, people who had achieved seniority were entitled to be called back first, again for all the right reasons.

He now had another job. The recall was only for two months. So he was faced with losing either the alternative job he had obtained or losing his seniority in accordance with the union agreement which had been negotiated, because if one does not accept recall under the rules of the contract, one loses one's seniority. He had to make a choice between the job he had taken or his seniority which he would have lost.

The whole point I am making is that each and every part of that system was put in place for absolutely the right reason. The union had negotiated a proper clause, the union had agreed to a proper clause for the right reasons. The company had recalled the person they were obliged to recall; the company did not need that person for any longer period and the company complied with the law and gave the notice at the proper time. Everyone did the right thing for the right reasons and in accordance with the right laws, and they were properly motivated.

I only cite that as an example of where we begin to write legislation and write rules which end up in the long term not benefiting the very people we are trying to help.

In trying to wrap up, I suggest to the committee, you have to get some real cost of the issues you are talking about, both notice and severance. I think the committee must particularly be concerned about a wide range of issues, not all of which I can cover this morning, but I think the issue of small communities is one that you should pay special attention to.

Many firms locate in the smaller centres of Ontario for very many reasons. It is hard to deny that one of the reasons for that is lower costs, a wide range of costs, housing, land and so on. With those kinds of firms, a little lower cost in carrying on business in great communities like Belleville is a very important factor. Those are firms to whom that marginal cost has made a difference. That is why they have sacrificed, in some cases, access to transportation links on the Queen Elizabeth Way in the Niagara area and gone instead for a lower cost community. The marginal cost has been that important to them.

Take that typical, small community, and small, Canadian-owned firm in most cases, in some cases not Canadian owned. What are you doing to the marginal cost of that firm by virtue of implementing some of the suggestions that are on the table before you?

I do not have the answer to that. I can sense the answer but I think the committee must definitively, in fairness to those smaller communities, know what the added cost, the added marginal cost of some of the things that are being proposed, will be to that typical small firm in that typical small or medium sized Ontario town.

10:50 a.m.

I think it might be important for the committee to talk to employers in such areas as eastern Ontario to ascertain their perceptions of the additional payroll costs potentially involved in severance legislation, added on to some of the additional things we have done, which I support--in the last year occupational health safety, the Rand formula and so on. What is their perception now of the marginal cost benefits of locating here in Ontario?

I guess I can close. There are other points I wish to make, but I want to give committee members time to discuss some of these things with us. I think the impact on small communities is among the most important you must deal with, Mr. Chairman.

I would close by saying that there are a great number of publications available, not necessarily in Canada. I have brought one which I will make available to the committee. It is from the New England Economic Review; Is There a Case for Plant Closing Laws? It is a good analysis of the concerns. I bring that to the committee's attention simply by way of saying that articles such as this, which give a view into things such as: alternative view of sunbelt manufacturing growth, Swedish plant closing policy, and measures to support employment. All of these are issues that have been dealt with in depth in very many senior policy-analysis institutions in the United States and throughout the world.

I greatly fear that we, as legislators, in some areas, might end up acting on the basis of our justifiable outrage at some of the things that have happened over the past couple of months and not based upon a full and in-depth analysis that has been made in other jurisdictions by people with a great degree of background and knowledge in the field.

I urge the committee to exercise every degree of caution in assembling the right degree of information; not just the information that I happen to have on hand through my policy and priorities branch, or Dr. Elgie, but the committee surely has to charge itself with the responsibility of assembling a wealth of information on the topic before it proceeds.

That is about all I have to say.

Mr. Chairman: Mr. Minister, thank you very much.

I want to do two things. On the list now, there are four or five members of the committee wishing to ask questions. May I ask how long you are available to the committee?

Hon. Mr. Grossman: Until about a quarter to 11. I really must be at cabinet by about noon.

Mr. Chairman: Yes. I am saying that because I want you and the rest of the people in the committee to know that we have Mr. Mackenzie, Mr. Taylor, Mr. O'Neil, Mr. Mancini and Mr. Williams on the list. I want them and the other members of the committee who wish to ask questions, to keep an eye on the clock. Mr. Turner is on the list and Mr. Van Horne.

Mr. Mackenzie, if you would begin, please.

Mr. Williams: Just before we begin, could we allocate that time now? We know how many members want to ask questions. We know we have got until the noon hour. We have 65 minutes. Could we just divide it up now? It would only take a minute or two.

Mr. O'Neil: The only problem with that, Mr. Chairman, is that from some of the answers that the minister gives us, some of the other members may want to ask additional questions.

Mr. Mackenzie: I would consent on the understanding that there are no interjections, period, if that is the arrangement. Otherwise, just leave it as we normally go.

Mr. Williams: Let's split it up now.

Mr. Chairman: What I am going to do is not to make a decision as to how much time each of the six people on the list have to use in the next 65 minutes because each of the people on the committee can divide six into 65 with real speed.

Mr. Mancini: You misled them, Mr. Chairman.

Mr. Chairman: I am going to ask you now--and we will change this rule; it was something that was discussed at some

length at the subcommittee this morning, but Graham and I will undertake, from time to time, to remind our questioners where they stand in terms of time. But at this stage of the game there are six people on the list; we have 65 minutes and we are going to begin with Mr. Mackenzie. Use your own judgement, please.

Mr. Mackenzie: Mr. Minister, you made the comment that we have a better track record than the United States. I am really not that concerned with what kind of record the United States has in terms of information on plant closures and the figures involved or in tracking the situation.

Are you aware of the information before the committee yesterday that came out in a letter to me from the Minister of Labour that simply says: "As you know, at the present time, there are no comprehensive data on permanent or indefinite layoffs occurring in Ontario. It is therefore impossible to know how many layoffs took place and what the characteristics of those laid-off employees were." There was a considerable amount of additional discussion on it, but in effect, there was some agreement that that was the situation.

Hon. Mr. Grossman: Yes, but let's not confuse data with the kinds of studies I am talking about. I think the committee will find, when it investigates the United States' situation, that Dr. Elgie highlighted the problems of data assembly in Canada, but I think you will also find in the United States that their data assembly is not as good as ours. Our data is better than theirs in that area, which is not to say, however, that our access to the implications of legislation and the experience of other jurisdictions is better than theirs, in my opinion. It is more comprehensive than ours.

Mr. Mackenzie: Are you also aware, Mr. Minister, that exactly the same answer in exactly the same words to the same question for information about what was happening was given to us exactly five years ago?

Hon. Mr. Grossman: And what point are you making?

Mr. Mackenzie: Simply that we have done damn little to see that we have adequate data in terms of layoffs, plant closures and what has happened to the employees.

Hon. Mr. Grossman: I can only suggest that you bring that to the attention of those who are responsible for data assembly on layoffs.

Mr. Mackenzie: I simply state that it leaves up in the air some of the figures we have. We don't know, ourselves, when we are right when we are basing our information from your figures. Because, as was obvious yesterday, it is very confusing.

There are two or three things I want to ask the minister: do you have any indication, apart from the bare-bones fact of plant closures and the numbers involved, of what is happening in terms of attrition, whether because of the new technology or what have you. I do know that at a meeting I attended just two days ago with

heads of unions in Ontario, while they were vitally concerned with the question of plant closures and layoffs, we had a litany that was rather scaring, through the rubber, auto, electrical, communications industries--you name it--of what was happening in terms of shrinkage of their memberships and the work force in the plants due to attrition. That is as much a part of the problem with what is going on in our economy as the actual plant closures.

Do you have a way of keeping track of the reduction in employment in certain key industries as a result of attrition?

Hon. Mr. Grossman: Yes. I want to say that there is going to be an adjustment over the next few years in this economy and in every other economy in terms of the kinds of jobs that are being done. There is nothing new about that. It may be even more severe in the years to come with micro-electronics dramatically changing the face of all manufacturing industries and the kinds of services that are provided. We do try to track that.

I think we would be foolish to ignore what is happening in the auto industry. It is a challenge. The technology opportunity, though, is there for Ontario auto parts firms and I will save the time of the committee by not repeating what I have said in very many speeches on the auto industry. Suffice it to say I do believe that the opportunity is there for the auto industry as never before. Whether we succeed in taking advantage of that very much depends upon government programs and private sector initiative.

I think, too, we have to recall--and I think it is something for this committee to be aware of--the fact that one of our challenges in keeping our fair share--never mind the auto pact share, but our share in proportion to our market in the auto industry, for example--is the fact that we compete now with jurisdictions which play by a little different rules than we do; one of them being Mexico, which pays an auto worker, in a plant which is equivalent to a plant we have here, something like 75 cents an hour.

I am not suggesting that we should, at all, try to compete against that sort of nonsense. But to ignore the reality of that cheap labour in Mexico as a competitive factor is to pretend that you can wave a magic wand. So we are trying to track that sort of thing.

I would also remind you--and not to gloss over the seriousness of the situation--that while there are shifts in the profiles and kinds of jobs being done, we do have more people at work this year than last year.

Mr. Mackenzie: I would hope we still have an increasing population and we are going to be in trouble if we don't show an increase. We also have a rather serious unemployment problem, Mr. Minister.

In view of what you have just said, and your comments to us earlier that, in fact, government incentives, in many cases, may decide where plants are located and the kind of competition that we are entering into, what you are telling us is, if we are not

aware of it, there is something wrong with our thinking and we had better let it influence our decisions on what the hell we are going to do and what kind of protection we want for workers or communities that have an investment in a plant.

It sounds to me suspiciously like the companies are holding the upper hand. They can shop around all they bloody well want. What, in fact, is happening is that governments are being held up to blackmail. "You either meet or match our kind of incentives or you are not going to get the plant location." Is that in effect what you are telling us?

11 a.m.

Hon. Mr. Grossman: That is a very key point and a point I want to make very directly to this committee, Mr. Mackenzie. Many companies are in fact jurisdiction shopping. They are looking for the kinds of incentives that--

Mr. Mackenzie: What you are saying, in a nice way, is exactly what I asked you. We know about the blackmail.

Hon. Mr. Grossman: Why don't you let me finish? What Nissan got, what Volkswagen clearly got in Pennsylvania--I think it is important and key to the discussions of this committee to remember that, in the face of jurisdiction shopping, Ontario having stayed out of that game with the marked exception of Ford and one or two others; not having got into that game of bidding, the auction contest for the Nissans and the Volkswagens; and we have not--we are still getting our fair share of investment.

The information I tabled a week and a half or two weeks ago, showing 307 major new plant expansions in the last 20 months, indicates that in the face of the sunbelt states' right-to-work legislation; in the face of the American jurisdictions with all their incentives; in the face of the revenue bond financing in the United States, we have succeeded in this province in maintaining a good enough investment climate so that we do get our new plants.

That simply throws a special onus on us. We have been able to stay out of that game for the most part and we can continue to stay out of that game only as long as our investment climate in this province is good enough to attract them without incentive grants. That, to me, is the best situation for us to be in.

Mr. Mackenzie: We sure as hell haven't been able to see that we get our fair share of auto pact orders and business, regardless of what you say. The deficit alone shows the picture pretty dramatically in terms of the auto industry.

Hon. Mr. Grossman: What are you suggesting we do?

Mr. Mackenzie: I think if we are going to leave the decisions entirely to the private sector, and that seems to be your philosophy, Mr. Minister, we are not going to be able to get over the blackmail that we are being subjected to.

Hon. Mr. Grossman: I have indicated, and we have good,

hard figures to substantiate it, that we have neither succumbed to the blackmail nor lost a great deal of investment by refusing to succumb to the blackmail. We have kept an economic climate here that is good. If you have complaints about the auto pact, you might take it to another committee. I am not sure this is the committee to deal with that.

Mr. Mackenzie: In terms of our industry, the kind of development that we have, and what we are losing in the way of jobs, you could look at almost any industrial sector, with the possible exception of steel, and still get the same kind of a story.

Hon. Mr. Grossman: That's nonsense.

Mr. Mackenzie: Well, that is your opinion. And your opinion also is that we don't--

Hon. Mr. Grossman: It is not my opinion; it is what the facts show.

Mr. Mackenzie: I am wondering what your opinion is of a rather interesting comment that I found in going through a simple little research paper. It is something I have seen in about three different publications recently, but I thought it was put very well by the Institute for Research on Public Policy: "It should surprise no one"--the whole thing is not very favourable to Canada--"that the Japanese view of Canada is unflattering. They see Canada as sliding backwards, exhibiting the same type of economic weakness as Australia, with important economic decisions made outside the country by multinational banks and corporations."

Certainly, it doesn't say much for our approach, or even your ministry's approach, to the kind of problems we have with the recession we have in the industrial sector.

Hon. Mr. Grossman: That's categorical nonsense.

Mr. Cooke: It's not nonsense at all.

Mr. Mackenzie: Everybody who disagrees with you is spouting nonsense then.

Hon. Mr. Grossman: Not everyone. Some have reasonable arguments and statistics to back up the very valid dialogue that can be done on that point.

Mr. Mackenzie: You talked, Mr. Minister, about what might or might not be the UIC's role in terms of a bridge or some other form of assistance to workers who are involved in these situations. I am wondering if you have any comments on the fact that the consistent direction over the last two or three years at least has been to restrict UIC payments and cut back on the coverage, or to increase the time necessary before a person is eligible for coverage. So the move in terms of UIC legislation has not been one that offers much hope to workers who are going to be laid off.

Hon. Mr. Grossman: I understand that I am here as a resource person, to help brief the committee on the kinds of issues that the committee should be dealing with. The point of my contribution this morning was to draw your attention to what the federal government is considering, what it said when it last changed UIC and what it said in its budget last week.

Mr. Mackenzie: As a minister responsible, are you urging an improvement in UIC coverage? Are you making representations to the federal government?

Hon. Mr. Grossman: I am not the minister responsible. Dr. Elgie is.

Mr. Chairman: Mr. Mackenzie, I indicated that I would from time to time draw the committee's attention to the clock. To bring you up to date on the list, we have six--Mr. O'Neil, Mr. Mancini--

Mr. Mackenzie: There are just one or two more areas that I want to cover.

You say you don't think decisions are made based solely on economics or on patriotism and should not be. How do you know whether the decision is an economic or a patriotic one in terms of a plant closing down? Do they open their books to you? How do you make the assessment?

Hon. Mr. Grossman: You seem to have misinterpreted my remarks. I said that in our experience the firms are making economic, not patriotic, decisions. I guess I would make my decision on the basis, first, that the firms in most cases come in to see us and make their books and analyses available to us on a confidential basis which we invariably respect.

Second, we can look and see that the situation with regard to what the Canadian-owned firms have had to do in the face of the same downturn in the auto industry is not that much different. It is in fact exactly the same as what the foreign-owned firms have had to do in this jurisdiction.

Thirdly, the losses being suffered by the North American auto makers and the parts firms indicate that their shareholders, many of whom are pension funds, of course, would be properly outraged if they were making patriotic and not tough, economic decisions in order to survive. And there are a great number of firms that won't survive.

Mr. Mackenzie: That is where there certainly may be a point of difference. I am not sure that we don't have to take a look at some of the decisions in at least a more patriotic framework--I don't like the word--because it is the people of the community that are getting hurt. It seems to me that also is a charge in many cases on the community itself and on the province itself.

Hon. Mr. Grossman: Mr. Mackenzie, I think you should remember things such as the hit that Michigan has taken. In the

last year Michigan's manufacturing employment fell by 142,000 people. If you are asking me for the signs we would find that indicate that these decisions are economically based, not patriotically based, I have to say that Michigan, which is obviously heavily auto-oriented, has seen 142,000 manufacturing jobs disappear. Our experience is nowhere near that; in fact, our manufacturing employment is down just a bit from a year ago. It is nothing near, even in a proportional sense, 142,000.

Mr. Mackenzie: If in justifying their position to close down the companies are opening their books to you, why should that be exclusive? Why shouldn't that also be a necessity in terms of the workers who are going to be affected by the decision?

Hon. Mr. Grossman: I would argue that our responsibilities as a government are to represent--be it in Massey-Ferguson negotiations, Chrysler negotiations or in the Winchester rifle situation--the interests of the employees, the communities and the business community. If we fail to operate as their agents and as their representatives in assessing the financial positions of the companies; if we fail to act appropriately, then we should pay the penalty when the election comes.

Obviously I argue that we have done a good job on that. I argue, as we must argue in the Massey-Ferguson case and others, that in order to best represent those people and protect the climate and do the right things at all times, there has to be some degree of trust and confidentiality.

11:10 a.m.

I remind you that in all of this one never knows, and one can never know, because it is not measurable, what it is that finally determines the point at which the business climate has been so adversely affected that you do not get decision-makers deciding in favour of Canada. They do not know themselves because they look at the whole series of laws we have, both labour and environmental, the energy situation, a whole host of things, before making decisions now.

Also, if you compare the business climate here to that of the United States, obviously a business climate in which all of the companies are opening all of their books is going to become a very major factor in making decisions, unless the net benefit of opening up all those books to all employees--because the employees, in your view but not mine, do not trust those who are elected by them to represent them in those discussions and negotiations--is more than the risk of doing it.

Mr. Mackenzie: It would have been easier just to say, "No, we will not open the books to the members," than go through all of that.

I have one more question. The answers have been a hell of a lot longer than my questions. I point that out to the chairman.

Mr. Chairman: I am aware of that. I am aware, too, that the last two people on the list--

Mr. Mackenzie: We will be hanging around all day if you are doing all of your responding that way.

I would like to ask the minister if he has been talking to the same people, in terms of the case example he cited at Ford Motor Company, as we have, because obviously we have some differences in information, both from the unions and from those involved.

First of all, they did not know they were coming back for that short a period of time. In at least two cases, one in particular, not only the worker himself but his wife as well called the company to find out, because there was a \$9 and some cents an hour job that he had already accepted. The notices they got were a surprise and a shock to them.

I am wondering if the minister also is aware that the union was willing, but Ford refused, to negotiate an arrangement whereby on short-term recalls they would bring back employees with less seniority, and if that is the kind of co-operation he is talking about in the industrial sector.

Hon. Mr. Grossman: I am not here to defend Ford in that case or in any other case.

Mr. Mackenzie: You used it as an example of the kind of things we are doing to protect workers, and we sure as hell didn't in the Ford case.

Hon. Mr. Grossman: With respect, Mr. Mackenzie, that is not very constructive to what this committee is here for.

Mr. Mackenzie: It is the core to what is happening to these people.

Hon. Mr. Grossman: I did not come in here to say that Ford had been wrong in that instance or that the union had been wrong in having a seniority recall clause. My point in setting out those circumstances was that every party had put in rules for the right reasons and no one anticipated some of the implications.

With regard to the specifics of what Ford did in that particular instance, I can only tell you, on the basis of the information I received from Roy Bennett, that Ford is and was prepared to sit down with the union and work out a system that would avoid that eventuality.

If there is a difference in your information and the information I am getting from Mr. Bennett--

Mr. Mackenzie: Obviously Mr. Bennett's is what counts with you, Mr. Minister.

Hon. Mr. Grossman: I will let that pass, Mr. Chairman.

Mr. O'Neil: Mr. Minister, you mentioned in your comments that some of the companies have dealt with the layoffs in a stupid and unfair manner. Could you expand on that for the committee in order to give us an idea of some of the things you are having to deal with? It might help us in our recommendations.

Hon. Mr. Grossman: Let me simply say again that Dr. Elgie is the one charged with the responsibility of entering into those kinds of negotiations. Suffice it to say that the well known examples are the Houdaille and Tung-Sol cases, which I do not have to repeat--I could not remember all the instances offhand--are the kinds of things that I find to be totally unacceptable.

I must say, having dealt with a great number of the other 40 or so companies, that in almost every instance they are in at an early stage, if they anticipate the possibility of a plant shutdown, talking to the Ministry of Labour with regard to how they might best look after their employees; and talking to us with regard to alternatives, both as to markets and to people who might come in if they anticipate the possibility of a plant closure; in talking to the Ministry of Labour with regard to how they might best look after their employees and talking to us with regard to alternatives to bolster their markets or people who might come in a joint venture with them.

I would say to you, Mr. O'Neil, one of the things, of course, that is not measured and not seen is the number of times that an early contact by the company with our ministry succeeds in avoiding layoff. Obviously, there is no measure of that. But there are many instances in which a company is in to see us, saying: "Hey, we've got problems. Can you help us find more markets? Can you help us find a partner? Can you help us in something?" We do succeed and that does not show up as a statistic, simply because we do succeed.

So I must say that while there are the obvious examples--and you know about them and I have identified two of them--where the behaviour is unacceptable, in the vast majority of cases I find the attitudes of both the companies and the unions involved quite exemplary.

Mr. O'Neil: You also mentioned the tracking of information. I know that we had some problems yesterday when we spoke with the Minister of Labour. They do not seem to have any real system set up for it. You mentioned a minute ago talking to the proper people who should be doing that tracking.

In some of the things you mentioned today, that 29 to 12 ratio figure and others, how do you track the information as to the plants that have permanent layoffs or have temporary layoffs? Where are you gathering your information from? Is it information that is right?

Hon. Mr. Grossman: We work off the same data base; we work off the Ministry of Labour data, plus we also try and track federal government employment and immigration data.

Mr. O'Neil: So is it your feeling that you do not have a

proper setup at the present time to track it the way you would like to be able to?

Hon. Mr. Grossman: I could not say that. That is the Ministry of Labour's--

Mr. O'Neil: So in other words, you are using their--I think it was expressed yesterday that they were not particularly happy with the way they have gathered it and there was conflicting evidence.

I am just wondering if that is something that should not come out of this too; that there should be a better measuring of the information that could be available.

Hon. Mr. Grossman: Again, I do not want to pretend that I am intimately familiar with the process that the Ministry of Labour follows in gathering data, but I am satisfied that it gives a fairly good reflection of what is happening out there, particularly on a comparative basis. It is better than the American data. It does give you an opportunity to look into previous years' experience because it is on the same base. It is relatively consistent with what is happening in the rest of Canada. And it also seems to be supported by StatsCan data on unemployment.

We look at layoff data that is assembled by the Ministry of Labour and see if that is reflected in consistent ways in the unemployment data that StatsCan turns out. That is a measure that is fairly accurate.

One of the things that I probably should not be commenting on because it is Bob's responsibility: probably one of their concerns is the amount of effort, red tape and paperwork necessary to track layoffs. There are probably a dozen or so firms employing 25 people in your community. I am not sure that those firms would be entirely happy or that it would be terribly cost efficient for them to file with the Ministry of Labour every time they let four of their people go for three months. And yet that is what would be required if you were to have a total handle on the situation.

Mr. Mancini: I have several questions I would like to pose to the minister. I still do not have clear in my mind how plant closures are reported to the minister. I think that question has been asked in several different ways, but I would like to put it as bluntly as possible. When plants of over 50 employees are going to close, how is that reported to your ministry?

Hon. Mr. Grossman: You would have to review that--and I presume you have--with the Minister of Labour.

Mr. Mancini: So you are saying it is not reported to your ministry.

Hon. Mr. Grossman: It almost always is, but the system involves the report to the Minister of Labour. Almost always they have a day-to-day working relationship with my field staff; there are 15 field offices that contact them and we go to work right

away to see what we can do to avoid the closure.

Mr. Mancini: So they do report to you?

Hon. Mr. Grossman: Not statutorily.

Mr. Van Horne: As a courtesy.

11:20 a.m.

Mr. Mancini: As my colleague says, as a courtesy?

Hon. Mr. Grossman: I am not sure I would use the word "courtesy" because, as I indicated earlier, very few--let me go further--no firm wants to close a plant.

Mr. Mancini: Some question--

Hon. Mr. Grossman: Let me finish, this is an important thought.

No firm wants to close a plant. Some firms have to, in exercising their own judgement of the economics, close a plant. They come to us as a resource to see if we can find some buyer for the plant, some alternative use for the plant, or, indeed, help them with some new technology or some new financing that can keep the plant open.

I would not say it is a courtesy; it is a good business judgement by them to come to us and see if we can help them stay open. They go to the Ministry of Labour to help the Ministry of Labour with relocation of the manpower in the event the plant closure goes through.

Mr. Mancini: So, then, there is no set procedure for reporting to the Ministry of Industry and Tourism as to how and when plants will be closed.

Hon. Mr. Grossman: No. We interface under the Employment Standards Act which requires they report to the Minister of Labour. I must say, I would not see any particular benefit in saying, "Report to both ministers." We do talk.

Mr. Mancini: You would not see that as a benefit with all the staff that you have, who may be of assistance to them? Don't you think it would make sense if they reported both to the Ministry of Labour and to you simultaneously so that we could co-ordinate the work of the two ministries?

Hon. Mr. Grossman: But, Mr. Mancini, the point I am making is the moment they report to the Minister of Labour, a call goes from the Ministry of Labour to our ministry.

Second, in many cases we have been working with the plant long before they have reached the decision to close down, so we often are in there for quite a long time. In addition, as soon as the thing goes into the Ministry of Labour, we are informed by the Ministry of Labour.

I have no particular problem with requiring people to make two phone calls, to send in two notices as opposed to one. Certainly I would point out that the statement made by the Minister of Labour a couple of weeks ago, prior to the setting up of this committee, indicated that we were working on establishing a focal point for all that information from the government of which my ministry would be one.

Mr. Mancini: Would you not agree that would be a good recommendation of the committee; that your ministry and the Ministry of Labour be informed simultaneously so that all of your resources could co-ordinate the work that has to be done?

Hon. Mr. Grossman: I have no problem with that. It would seem to me, if we are successful in devising something to create a focal point under Mr. Joyce and Labour, the job will be done when Mr. Joyce is informed; as it is done now as soon as Labour is informed.

Mr. O'Neil: If you are saying that the people who contact you usually contact you anyway, are these people who owe you money or you have lent them money? Or do you find everybody does?

Hon. Mr. Grossman: No, people who owe me money usually don't. No, I am just kidding.

It is an interesting point though. If the situation is one which involves an Ontario Development Corporation loan, then we have a fairly sizeable operation there that monitors the health of the company all the way down. If we see a company with ODC funding is having particular problem, we are in there long before you even hear about the company.

Examples would be situations where our ODC staff would say, "This loan is in arrears; let's get in and see what is happening with the company." They get in. We put our Ministry of Industry and Tourism field staff on it and see if we cannot do something to firm up the company. We have a fair number of success stories in that.

Mr. Mancini: I also would like to ask the minister, in regard to the information and the figures he has provided us with this morning, are you confident of the information you provided us with this morning? For example, concerning the plant closure figures, 1974-75, you stated there were 37, if I took these figures down correctly; and in 1975-76, 31.

When I compare your figures, Mr. Minister, to the figures that were given to us yesterday, I believe, by the Minister of Labour, and if I am comparing the proper two sets of figures, yours or his are out in each circumstance.

Hon. Mr. Grossman: Mine were manufacturing. I gave you manufacturing figures. He gave you total figures, including, for example, hospitals where there was one incident of a hospital closing down and all the employees being relocated down the block in other health facilities.

Mr. Mancini: The reason I thought it could have been the same was because the heading is, "Known Permanent Closures." I have not heard of any hospitals you have been closing lately. I know you tried that a few years ago.

Hon. Mr. Grossman: Certainly not in my riding, Remo.

Mr. Van Horne: We know that. What are you planning?

Mr. Mancini: Are there any hospitals that we should know about? What are you planning?

Hon. Mr. Grossman: I will give you an example. The closure I am talking about was the relocation of the Ottawa General Hospital with all but 10 of the 1,600 workers being rehired by the Ottawa Health Services Centre and Elizabeth Bruyere Health Centre.

Under the Employment Standards Act, they were required to file that the Ottawa General Hospital was being closed, even though it was, in fact, a rationalization to two new facilities with all but 10 of the 1,600 workers going to them.

It gives you an example of where the figures are a little inflated.

Mr. Mancini: The minister tried to make quite a case this morning over the matter of jurisdictional competition for industry. You mentioned to us that the committee should be aware of the competition that we face. You mentioned the sunbelt in the United States. You mentioned, I believe, Michigan and possibly a couple of others. You continued to bring to our attention the point that we should not eliminate our competitive edge.

I have taken a few minutes to go over your unique fact book.

Hon. Mr. Grossman: Great publication.

Mr. Mancini: For example, the minister brought to the attention of the House in this fact book the following information: "On a US dollar basis Ontario's manufacturing unit labour costs fell by 4.5 per cent in 1978, but declined 7.7 per cent in the US; 15.6 per cent to 20.4 per cent in France, Italy and West Germany; 25.1 per cent in Japan; and 25.6 per cent in the UK."

If all these figures are correct, we do have quite a competitive edge and, therefore, that would allow us to give better benefits to terminated employees without affecting our competitive market edge. Would the minister agree with that?

Hon. Mr. Grossman: As I was indicating to Mr. Mackenzie earlier, it is an inexact science. It is a little like saying, "What made you buy this house?"

Mr. Mancini: No. You told the committee, Mr. Minister, that we have to compete with states like the sunbelt states, states like Michigan and other foreign jurisdictions. You have

told the committee and the House, through your fact book, this information which I have already quoted, concerning the unit labour costs.

Hon. Mr. Grossman: I'm sorry. I did not hear the last few words you said. Were they something that would irritate me?

Mr. Mancini: No, absolutely not. I certainly would not be offensive to you under any circumstances.

Hon. Mr. Grossman: Again, I can only say that our competitive position means a lot more than just labour costs.

Mr. Mancini: Fine. Then we go further through your fact book and we find out, under "Incentives"--

Hon. Mr. Grossman: It's all there; everything you have ever wanted to know.

Mr. Mancini: This is what we are told under "Incentives." For example, the telephone was invented in Ontario, also insulin, the snow-blower, the electron microscope, the paint roller, carbide--

The Vice-Chairman: Mr. Mancini, can we get back to the--

Mr. Mancini: Just a second. I am not finished. I have not come to the most important point, Mr. Chairman.

And also that pabulum was invented in Ontario. I am sure that the minister is really proud of that.

Hon. Mr. Grossman: Are you against children, Remo?

Mr. Mancini: But under that we have the word, "Incentives" and the minister writes for the information of the Legislature that companies may write off 100 per cent of current and capital expenditures on research and development in the year of the outlay, and he mentions some other things following that.

Do you not believe, Mr. Minister, that these advantages you speak of in your fact book would not be eliminated if employees that have been terminated would have their benefits improved?

11:30 a.m.

Hon. Mr. Grossman: I say to the committee, Mr. Mancini, that we just have to understand that our competitive position means everything you have just quoted plus our energy situation, our environmental laws, the safety on our streets, the colleges and universities in the province, all of those things. And I could literally go on right through. I could take it through the whole range of government and private sectors.

It is quite like buying a house. It is difficult to say what it is that made you want to locate in this jurisdiction, nor can you draw a general rule because if you are in a labour-intensive industry obviously one part of the fact book you read is far more

important than another. On the other hand, if you are in an aluminum-intensive industry the cost of electrical energy is far more important than your labour cost, because it is not a labour-intensive industry.

So you cannot draw a general rule. All you can say is that you have to look at the whole panoply of legislative and nonlegislative provisions and try to deduce where your competitive position is reasonably good vis-a-vis other jurisdictions. It is an inexact science, just like putting two houses next to each other at relatively the same price. It very much depends upon your particular needs and wants and what is important to you.

For some companies, I say quite seriously, the atmosphere in a community in Pennsylvania versus the atmosphere in Chatham, just in lifestyle, may be what makes the difference and they may be willing to sacrifice some competitive edge in order to be a buyer in that environment. So it is hard, it is an inexact science, and the whole point of my submission to the committee today is that it is an inexact science, there is not any particular place at which you can say, we have upset the situation.

I began my remarks by saying our challenge is to maintain the proper social climate and the proper economic climate and avoid the kinds of situations that governments and jurisdictions get into from time to time, for a variety of independent but seemingly well-meaning and motivated reasons. You go to the extreme southeast, in the sunbelt states, where in my view, in a mad dash for investments and jobs they have sacrificed all sorts of social services and humane labour legislation in this mad drive to obtain jobs; or the extremes that I guess people would say the UK fell into of building feather-bedding into their economic system, losing a heck of a lot of jobs in the long run and seeing mass shutdowns in industries that were far too long feather-bedded and had extraordinary costs built in.

Where you strike the balance in between is very much a judgement call that we all around this table, as politicians, have to make.

Mr. Mancini: I find some of your comments partially contradictory because first you tell the committee we have to compete with the sunbelt states and then you tell us that Ontario is not prepared to go to the length that they went to in order to attract industry. That is fine but in that tone your comments are somewhat contradictory.

Also, let us move to the area of corporate taxes which would be extremely important. Your comments concerning corporations making their decision on economic factors instead of patriotic factors would be supported by your comments on taxation in your fact book, under corporate income tax, "As a percentage of book profits for manufacturing companies, 1978: Ontario, 31.9 per cent; Texas, 37.6 per cent; Ohio, 41.3 per cent; New York, 43.1 per cent."

We can go further in your fact book where, for example, you give a specific example of how long it would take to set up a

typical factory of 50,000 square feet. You tell the Legislature that in the UK it takes 97 weeks; in Ontario it takes 27 weeks; in Australia, 77; Belgium, 41; the USA, 38; France, 43; Germany, 51.

With all of the advantages you have pointed out in your fact book, Mr. Minister, surely you can tell the committee that it can move somewhat to assist workers who have been terminated. With the advantages of time setup, of corporate tax and the section in here concerning hourly wages, where the hourly wages of the Ontario industry in manufacturing is somewhat lower than US average, is substantially lower than the average in Ohio, is substantially lower than the average in Michigan, with all of those facts that you yourself have given to the Legislature, how can you refute that?

How can you table this information in the Legislature, pointing out the many, many advantages, and then not be able to tell the committee that we can at least move forward somewhat to assist employees who have been terminated?

Hon. Mr. Grossman: I should say to you that only verifies, I think, the point I was making right at the top. We have maintained a good investment plan this year. One of the factors that we do use in selling, and that is from that same publication, is a fair and generous set of labour laws in terms of notice and severance. With the exception of the great state of Maine, we have still overall the best set of notice laws in North America and that is a selling point in the sense that the companies know there is a predictable set of rules here, that their work forces are fairly comfortable and that they are decently well protected.

To some companies--I will give you the opposite--that is a disadvantage. Some companies will say, "We will go to a sunbelt state." Obviously the sunbelt states understand this, that is why they have gone to right-to-work legislation and they are out there pitching.

Mr. Mancini: We need a better pitcher.

Hon. Mr. Grossman: "Come to us because here, in the sunbelt states, you can do whatever you want." There is everything that you have mentioned that has to be taken into account. On other things that you look at our competitive position is pretty good, I would argue, and I think this government has to take some credit for that.

On the other hand, pre-tax corporate profits have risen more slowly than wages, salaries and supplementary labour have jumped over the past few years. If you look at pre-tax profits the situation is not as attractive as it might be and, if you look at labour-intensive industry, a lot of industries in the auto sector, which are more labour intensive, are more and more looking to Mexico which is paying, as I say, 75 cents an hour.

Mr. Mancini: That is hardly a comparison, really. To compare 75 cents an hour in Mexico to what we want to do here in Ontario, that is hardly a comparison.

Hon. Mr. Grossman: Mr. Mancini, let me--

The Vice-Chairman: I might remind the committee that we have five more people to hear from.

Mr. Mancini: You should be ashamed to use that.

Hon. Mr. Grossman: Mr. Mancini, I will just close off. Let me say that you ought not to kid yourself. Let me clarify my position, Mr. Chairman.

In no way do I advocate competing on wage rates in that way. That is not something I think is attractive, acceptable or right. I simply point out that such areas as your own are possibly going to lose auto investment in the face of a decision made to locate in Mexico, relatively similarly accessible to the North American market, and they are paying 75 cents an hour.

11:40 a.m.

The point I am making is that we have not gone to that foolish and unfair kind of competition, by selling cheap labour, but at what stage do you upset the balance we have struck here which still allows us in Ontario to compete against those low wage jurisdictions? I do not know what the answer is and I simply say the committee must address that when it makes its decision.

If you read the article we will be submitting to the committee, the article in any event argues that restrictive legislation is a major factor in locational decisions. The article may not be right, but all I am saying to the committee is that all of these things have to be fed into your deliberations.

You are quite right, we have a pretty attractive jurisdiction here and maybe we can afford to move the most generous labour laws in North America forward another step. Maybe we can.

I think there are several questions involved. Leaving our competitive position aside, given UIC and the other services available, is that something that is needed? Secondly, what is the long term cost, i.e. is it going to cost jobs or is it not? Those are the kinds of things you have to take into consideration. I say to you, Mr. Mancini, it is an inexact science.

Mr. Mancini: I say to the minister his comparison of Ontario and Mexico is really far-fetched and under no circumstances would I have ever thought he would have used a comparison such as 75 cents an hour paid in Mexico with the--

Hon. Mr. Grossman: Ask the auto parts firms in your riding.

Mr. Mancini: In that case, Mr. Minister, you should make representation to the federal government and through the Legislature to ensure that the North American auto companies live up to the auto pact or, if they are not living up to it, to ensure that the proper changes are made.

We would gladly support you in a representation to the federal government in that area. It is simply ridiculous to compare the 75 cents an hour paid in Mexico to the standards which we expect in Ontario.

Hon. Mr. Grossman: Mr. Mancini, I only point that out as a reality.

Mr. Mancini: It is ridiculous.

I only have one final question, Mr. Chairman. With great respect, that comparison with Mexico really has no place before this committee and for us to even concern ourselves with Mexican officials who allow their workers to work for 75 cents an hour is completely ridiculous. If that is what you want to bring Ontario down to, we certainly are in no way going to accept those types of comparisons. If you want to compare jurisdictions on the same level, that is fine, Mr. Minister, but to bring in a comparison with Mexico is highly ridiculous.

Hon. Mr. Grossman: Mr. Chairman, I have to at least be given the opportunity to clarify the record, and I did in my initial remarks. I said that I find that wage rate to be totally unacceptable; I never advocated any of that nonsense.

The only point I am making is that you cannot ignore the fact that an alternative for those auto parts firms, particularly the kind that are in your area, is to opt for the 75 cent an hour wage rates that are available in Mexico. And I have to tell you, Mr. Mancini, if you think those people are not considering that as a viable option, then you are wishing the world were different but you are not looking at reality.

I do not like that reality, but if I am to do my job as Minister of Industry I have to say to myself--and let me make this point--I am not going to compete for that by undercutting on wages or by going to right-to-work legislation or by dismantling all of the things we have here to prostitute ourselves like the sunbelt states have, for investment. What I am going to do is the kind of thing you have before you, which is to say to jurisdictions, "Seventy-five cents an hour is not the whole story. Let me tell you the whole Ontario story and tell you as attractively as possible."

Finally, Mr. Chairman, I can end this dialogue with my good friend, just on a note of levity, by quoting a piece from the Ottawa Citizen: "'Canada cannot compete with industries in the developing world because Third World workers earn much less than Canadians.' He said, 'Wage levels must be kept down if Canadian exports are to be competitive on the world market.'"

Mr. Mancini: Who said that?

Hon. Mr. Grossman: Stuart Smith, in the Ottawa Citizen, April 8, 1978.

The Vice-Chairman: I think you should go on to the next question, Mr. Mancini.

Mr. Mancini: We do not know if we can verify that.

Hon. Mr. Grossman: I can.

Mr. Mancini: We will have to see if the minister can verify that. But no matter what Stuart Smith says, it is not going to go down to 75 cents an hour like they are in--

The Vice-Chairman: For my first time in the chair, you fellows are making it very difficult for me. Your last question, Mr. Mancini, please.

Mr. Mancini: I just wanted to end by asking the minister if he played a part in the statement which was read to the Legislature a couple of weeks ago by the minister, Bob Elgie, concerning the changes that he had in mind. What part did you play in that statement? Did you or your staff help prepare it? I want to know what your input was since you are the Minister of Industry and Tourism.

Hon. Mr. Grossman: All of the ministries that are before you this week, together with Treasury, worked on the policy statement and made a joint submission to cabinet supporting the position that Dr. Elgie laid out.

The Vice-Chairman: Can we go on now to Mr. Turner? Mr. Williams was on the list but he is in another committee.

Mr. Turner: Thank you, Mr. Chairman. Through you to the minister, one thing that particularly bothers me on this whole question of plant shutdowns, jurisdiction shopping and so on, is the rather disturbing campaign which has been carried on by some of the border states--raiding, I guess you could call it--coming into Ontario and blatantly saying things that my friend to the left of me objects to. They point out that they have lower labour rates than most other states and that the labour in their major industries is not organized. This sort of thing disturbs me.

They go further to point out that they have tax incentives at both the state and municipal levels which, I think, we do not have here to a comparable degree. They also point out that that money is being made available through an industrial incentive committee--or something of that nature; I am not sure of the correct term--by the state on an interest-free basis. Are you or the government of this province giving any active consideration to that sort of proposition?

Hon. Mr. Grossman: No, at the present time we are not. One of the reasons I was able to file that information with regard to investments made by firms over the last 20 months or so is that I have wanted to monitor carefully how southern Ontario, especially, was standing up to that sort of drive being put on by some of the American jurisdictions. I also monitored to find out how we are standing up to the attempts made by DREE within Canada to lure some of that investment. That is how we happen to have that information on hand.

At the moment I am quite satisfied that we have maintained a

climate sufficient that the kinds of raiding parties that are going on just now from some American jurisdictions, particularly in Ontario, are not meeting with a great deal of success.

I can say to this committee quite comfortably, and this will sound paradoxical, that we are not so threatened that I have to come to you as Minister of Industry and say: "You cannot possibly do anything in pensions or anything else. In fact, we should be retreating." I would not contemplate that--

Mr. Renwick: You have come damned close.

Hon. Mr. Grossman: That is unfair.

Mr. Turner: You were not even here.

Hon. Mr. Grossman: That is right.

Mr. Renwick: You do not have to be.

Hon. Mr. Grossman: That is unfair. But I want to give this committee this comfort. I do not sense that we are that close to the line. Where you happen to step over the line, what suddenly happens I cannot predict.

For example, I do not know what is going to happen south of the border with the new administration. We may have a whole regime of nontariff barriers; we may have a whole regime of tax incentives. I don't know how it is going to be. Nor, for that matter, can I or any of us yet predict what impact the last federal budget in Canada is going to have. These are all the variables that we struggle with.

11:50 a.m.

I guess one of the points I made is that every time we institutionalize through legislation a fixed-in change to the system, then we have gone one clear step further which you never really change, and that is against not one competitor, such as New York, but a whole range of competitors.

Mr. Turner: There is another part of this pitch that disturbs me, and it is not borne out by your facts book. They come across very strongly in pointing out the red tape, the bureaucratic interference, call it what you will, that organizations must go through in this jurisdiction in order to get approval. They go to great lengths to point out that they do not have any of this; that the decisions are not made by bureaucrats, but by people within the community.

Going a step further in the same direction, has any thought been given to having industrial incentive committees at the local level?

Hon. Mr. Grossman: To be honest I do not want to be taken as ever advocating that we set up a system where municipalities will end up competing against each other in the financial sense. I do not think it is helpful for communities in

Ontario to start offering their own land free, or a waiver of property tax for 10 years, as you will find all over the United States. What you end up with is a very few large firms in Pennsylvania who have located there in the past four or five years and are not paying any realty tax in the jurisdictions in which they have located because they have just played off one town against another. I do not think that would be helpful.

Mr. Turner: I think that is all for now, Mr. Chairman.

Mr. Van Horne: I would like to change the direction a little bit, Mr. Chairman, and ask if our mandate, as a committee, is to try to make sure that there is adequate provision for workers as they become unemployed or as their jobs disappear.

Mr. Minister, assuming that a lot of people lose their jobs and get new ones, are you satisfied that training programs in Ontario are adequate for new jobs that become available to workers? Is the retraining process adequate? You have made reference to technology changing some of the jobs that might be available later on in the 1980s. Does your ministry get involved at all with discussions with the Ministry of Colleges and Universities or the Ministry of Labour as regards new programs that might be brought on stream?

Hon. Mr. Grossman: To answer your question, are we satisfied, I guess if the government had been satisfied that all of the retraining was in place, we would not have gone to the Ontario Manpower Commission and the Don Pollock route. That work is under way. Our ministry was one of the three ministries, together with Colleges and Universities and Labour, which sat down to create the manpower commission, to help select its chairman and to agree to suborn some policy decisions to that organization.

I am terribly hopeful. Bob Elgie's statement of a couple of weeks ago, I think towards the end of it, indicated that we would be seeing some of the first legislative proposals coming out of the manpower commission.

Mr. Van Horne: To change that around just a little bit, Lloyd Axworthy is quoted as saying, back in the latter part of the summer: "The availability of skilled labour will be the key to Canada's economic performance in the 1980s. If the right decisions are made by federal and provincial governments in the next six months, the prospect is for a very successful decade."

What kind of liaison goes on between you and the federal government in so far as making sure that "skilled labour force" is available?

Hon. Mr. Grossman: It is essentially being handled through Mr. Pollock. We feed a great deal of information to the manpower commission to help them assess--

Mr. Van Horne: Let me stop you there for a moment. I asked Minister Elgie, at the end of the meeting yesterday, if it might be worth while to have him, that is Mr. Pollock, come to the committee to see what he is doing. The response, as I recall, was

no. You are telling me that he is a fairly key figure in this. I find myself a little bit confused here. Would you agree that we might not have anything to learn, as a committee, from speaking with him? Should we not have him in front of us?

Hon. Mr. Grossman: It would be hard for me to answer that question at this time till I see--I think the committee is the proper forum to answer that question as you see how your deliberations proceed. Mr. Pollock could give you, I think, at this stage an inventory of what has been done, but at this stage could not yet tell you what policy decisions the government has made because that will await Bob Elgie's announcement.

That may have been what Bob was reflecting. I could not tell you.

Mr. Van Horne: Let me come at it from a slightly different angle. What about your ministry liaising with the federal government? Can you tell us a little bit about that, in so far as manpower or skilled labour requirements are concerned?

Hon. Mr. Grossman: We would see our role as doing our share to let the people who are responsible for training those skilled workers know what the future will be.

Mr. Van Horne: What kind of liaison have you got right now with the feds?

Hon. Mr. Grossman: It would basically be liaison between the training bodies here in Ontario and the training bodies in Ottawa to find ways to produce the skilled workers that we assess, together with the federal Minister of Industry, Trade and Commerce, are going to--

Mr. Van Horne: You say, "It would be." I want to know what it is.

Hon. Mr. Grossman: It is.

Mr. Van Horne: That is what it is, okay.

Hon. Mr. Grossman: We have a great--I want to clarify it. We work very closely with Industry, Trade and Commerce in Ottawa, so that we are not guessing, or--of course we never guess. We want to make sure that our analysis does not show that 6,000 skilled workers are going to be needed in one field and at the same time, ITC has done analysis which shows that 11,000 are going to be needed in the same field. So we work together with ITC to inform the training ministries of our guesses, and there is a certain amount of guesswork involved. So that is--

Mr. Van Horne: How many manufacturers, or prospective manufacturers, or businesses, whatever the proper word is, express some concern to you as they search for a place to locate about availability of an adequate labour force here in Ontario?

Hon. Mr. Grossman: About half, 50 per cent of them.

Mr. Van Horne: In that half then, can you tell us about the decisions they make? Do they shy away, the half who express concern? Do they shy away or locate elsewhere because we have not got the force?

Hon. Mr. Grossman: At the moment we are in still fairly good shape. I cannot--

Mr. Van Horne: I know it is tough perhaps to come off the top of your head with all of the facts and figures. Can you provide for us a list of--

Hon. Mr. Grossman: It would be difficult because, of course, for every investment that ends up occurring in Ontario, there are three or four other firms that call an inquiry.

Mr. Van Horne: I realize that.

Hon. Mr. Grossman: I could not tell you what caused the two or three others to go somewhere else.

Mr. Van Horne: It would be helpful for us to--forever and a day the educational system, the Ministry of Colleges and Universities and the Ministry of Labour have been criticized for missing the mark in so far as apprenticeship programs, as an example--I could give you three or four more examples. But I have to wonder at times are we being misled or misinformed, not intentionally--

Hon. Mr. Grossman: By the Ministry of Education? Of course not.

Mr. Van Horne: No? How accurate are some of these statements? For example, the president at Fanshawe College has stated publicly in the last few months that 70 per cent of the work force here in Ontario was trained outside of Ontario or outside of Canada.

That is kind of a shocking statement. How accurate is it? I would assume that there is good evidence to prove that. What kind of information can you provide, or can your ministry provide to help us get a handle on things such as retraining and the availability of an adequate labour force in Ontario?

12 noon

Hon. Mr. Grossman: In order to save time, I will have a look and see if there is anything that I think might be of assistance in answering that question.

Mr. Van Horne: One other question, Mr. Chairman. Back in--I think it was 1978 but I am not sure--the federal government set up an inquiry to examine redundancies, layoffs, et cetera. It was a small commission, only three or four people on it who reported last year. Did you have any input into that, or were you involved at all with that federal commission of inquiry?

Hon. Mr. Grossman: I could not answer that definitively. I will find out for you.

The Vice-Chairman: It being 12 o'clock and I know the minister mentioned--would you be able to stay any longer? We had scheduled you in this afternoon too, from 2 o'clock, and I am just wondering, are you going to be able to be here this afternoon?

Hon. Mr. Grossman: I'm sorry, I thought it was just the morning session. I can stay for a few more questions, but I really have several items on at cabinet today.

The Vice-Chairman: We have four people scheduled who would like to get in on the questioning. Would it be possible for the minister to come back at 2 p.m.?

Hon. Mr. Grossman: No, I think I would prefer to carry on for 10 or 15 minutes now, if the questioners think that is possible.

The Vice-Chairman: Maybe I should throw this back to the committee to see what their wishes are. Mr. Renwick?

Mr. Renwick: Mr. Chairman, Mr. Minister, the gulf between your attitude and attitudes of others is not a real concern here. What we want is some information. And I would be quite happy, rather than to have you here for 10 minutes and nothing further, if your deputy were to come this afternoon, along with whatever other of your advisers are here, so that we could go into the kind of basic information with which your ministry can or cannot supply the committee.

That will take a little bit of time, but I think it would be most important. We cannot afford to lose the momentum that the committee is trying to achieve about the urgency of these matters.

Hon. Mr. Grossman: I, of course, am in the hands of the committee and will co-operate whichever way the committee requests. I must say that if the committee has a perception that there is a great deal of information which is forthcoming in terms of the amount of research we have on this topic, you would be mistaken. It is basically a responsibility which properly lies in the Ministry of Labour, and that is where to find it.

Mr. Renwick: Mr. Chairman, I am not suggesting for a moment that you have a lot of information necessarily that is there. We have a lot of information, but we want to know whether or not your ministry can be of assistance to us in achieving the information. You have obviously some information. Now I want to explore with your deputy and your advisers the areas of information that we can get from your committee.

Hon. Mr. Grossman: I am in the hands of the committee if you think that would be the best way. I must say that my own feeling would be that today, as the committee unfolds, whatever, if your chairman or your assistants, consultants and advisers let us know what kind of information you want to receive then we could have our policy people see if they were able to provide that.

Mr. Renwick: Mr. Chairman, I don't want to interrupt the minister because I know he is in a rush--the island must be weighing heavily. Would it not be possible for us to question, so that our staff will know? We do not delegate to the staff the collecting of the information. We want to get some sense of what we are about, so then we can instruct our staff on the information. Can the deputy come as well?

Hon. Mr. Grossman: If the deputy cannot come, I will have someone who is in a position to answer those kinds of questions for you this afternoon.

Mr. Renwick: That would be fine. Then we could join the fisticuffs game with you on another occasion.

Hon. Mr. Grossman: I look forward to that.

Mr. G. Taylor: I have one question. The minister is going to assign somebody to us who is going to answer the questions. We don't know what the questions happen to be at this point, so this afternoon we spend some more time with an individual who will not have the answers. I would prefer to see an opportunity that the minister would come back and answer those questions individuals may have.

Mr. Renwick: Mr. Chairman, Mr. Taylor misunderstands me. I am not asking that the person here this afternoon give us instant answers. Indeed I would be very concerned if he could give us instant answers on the matter. I want to be able to pursue in a methodical, dreary, dull, plodding way the kinds of information I think are of interest to the committee, which I am sure are somewhere in that ministry. I think that ministry has information which is important to us.

The Vice-Chairman: Mr. Minister, is it right out of the question this afternoon that you come back at any time at all, say rather than two o'clock, maybe three o'clock--

Hon. Mr. Grossman: No, I hope you will understand that I was just informed about this last Friday or Monday. May I be quite open with the committee.

Mr. Renwick, I cannot conceive--and we have obviously thought about this since we got the request from the committee last week, Monday--what further kind of information we have on hand. And I have tried to bring this morning everything we can bring and everything we have. I would be surprised if I or my staff were able to find things that we have that we have not brought.

I'm happy--well, I'm not happy, I mean I would rather have my staff back at the office doing something else, but I will oblige the committee as the first priority, and they will be here to help you.

I would simply say to the committee that if you let us know what kind of things you are looking at, we will send over whatever

we have. How much do you want to pursue the oral route? I can have staff here.

The Vice-Chairman: Can we take it then that it is the wish of the committee that we would like the deputy and some of the staff be here this afternoon at 2 p.m. to go on with the questioning?

I wonder also, Mr. Minister, I know Mr. Cooke had a couple of things that he wanted to get on very quickly. Could we take five minutes?

Hon. Mr. Grossman: Sure.

Mr. Cooke: I would just like to ask the minister: We talked about companies that turn out to be plant closures, and you indicated that they don't move to our country because of patriotic reasons. I would agree with that to some extent, but what about companies that are making a profit that close down their operations?

Yesterday the Minister of Labour indicated clearly to us that there are a number of examples of profit-making corporations in this province that have shut their doors and moved back to their home country. What possible reasons can you understand from those instances, why a company would move out of our province?

Hon. Mr. Grossman: Well, all sorts of things happen. You get a company that has lost--and I can think of one--money in each of the last five years, and this year has turned a slight profit. It has been considering getting out of that particular business, or has been considering consolidating its operations for many years. Now the fact that after five years it has one year of profit, perhaps for exchange-rate reasons or whatever, puts that in a definition of "a profitable plant," i.e. it made money in 1979. But it still may be a very good business decision to close down and rationalize that operation, and get out of that business.

A second instance, a firm that was very profitable--I think of the auto sector--in 1974, has done very well for the last few years, but has been declining in profitability. It now can see that the particular product it is in, as cars change dramatically, is only going to be required for one more year. I would think of the Budd case which ended up not being closed, but it is a good case because they made steel frames as you know. So a company makes money and is a profitable company in the last year in which their single product, steel frames, are required by customers. But the next year there is zero market for that product. Now that is a profitable company, which--

Mr. Cooke: But there are instances of companies in this province--I think of one in Windsor recently, Namasco, which I raised with you, which has had some difficulties. At the same time they are announcing their closure in the Windsor area I get a press clipping from an interested person from Winnipeg indicating that same company is expanding in Winnipeg in a nonunionized plant.

Now that is difficult for me to understand. That is difficult for the workers at Namasco who are thrown out of work to understand. And the article in the Winnipeg Free Press--I think it was the Free Press--indicated that their orders are higher than they have ever been in Canada, that they are expanding in Winnipeg to meet this need, and expanding their other two nonunion plants as well.

Those are the instances where I believe very strongly there should be some form of justification to the workers, to the community.

12:10 p.m.

Hon. Mr. Grossman: I understand what you are saying and I guess I would say that the labour legislation in this province says that at least within this province you cannot close a plant to escape a union, and Westinghouse was caught under that provision. It is a provision which I support, and has obviously not so affected the business climate that we fail to continue to get our share of investments.

Mr. Cooke: A couple of other things. You indicated this morning that you do not support bribes to foreign corporations to locate in Ontario. We certainly support that. But what you are basically saying is that we do not go that route--the states are going that route--but instead we will not bring in legislation to protect workers. So what we are really doing is putting the need to bribe corporations to locate in Ontario on the backs of the workers by not providing adequate protection for them.

Hon. Mr. Grossman: You make a lot of silly and unfair assumptions. One, that our labour legislation is not fair. I can only say to you, I know you will want to select different measures, I understand your point of view and I respect that. By any measure that you might use in my view, obviously in the government's view, our current set of labour laws are comparable, if not better than, any set in North America. And I think you and others can argue that just because they are as good as or better than everyone else's, does not mean they are not. You can argue that, and politicians and people in government have to ultimately decide what is a fair breakout.

The point I was making this morning is that in doing that there is a whole host of things you have to consider, one of which is the benefit we have derived by avoiding either the English situation, or the sunbelt situation. But where you crowd at the border into one of those situations--

Mr. Cooke: That is assuming we go the continuing route that we have gone for many years in Ontario. That is assuming we are going to continue to build our economy with a branch-plant system. If we go a different route of instituting an industrial strategy with Canadian ownership, using our resources as we talked about in estimates, that can be done in many of the sectors--we have talked about mining machinery; we have talked about auto parts; we have talked about food processing--if we go that route then we don't have to play the game we have talked about for two hours this morning.

Hon. Mr. Grossman: I am not going to get into that now.

Mr. Cooke: We are never going to be able to come to an agreement on that. There is a basic difference between you and our party, and there is a basic difference between the Liberal Party and our party. And there is not going to be an agreement on that. If we follow your argument and the game you are playing, we cannot do the types of things that the workers need in this province.

Hon. Mr. Grossman: Mr. Cooke, I can only conclude that dialogue in this way. I do not want to get into the philosophical thing with you. That is not what the committee is here to do. I can only say to you--

Mr. Cooke: You have to come to grips with this problem.

Hon. Mr. Grossman: --that if you think for a moment the problems of plant closures are going to go away the day that each and every industry in Canada is Canadian owned, pursuant to an NDP industrial strategy, then of course you are being simplistic and silly. I would also remind you that where you do have an NDP industrial strategy in the great province of Saskatchewan, there is a one week notice requirement. One week. Now how do you reconcile that with what you are telling me?

Mr. Cooke: What I said, Mr. Minister, is as long we are competing for foreign investment, then we cannot provide adequate protection for our workers, because we are going to be worried about losing foreign investment.

Hon. Mr. Grossman: I presume that Saskatchewan is worried about that. They have only one week. They have chosen not to be as generous to their laid-off workers as we are in Ontario. Does Saskatchewan care less about their workers? Or are you presuming that they want jobs more and are willing to trade off more than Ontario?

Mr. Renwick: They have never had the experience of a shutdown of a plant like Dunlop.

Hon. Mr. Grossman: And they have not had the advantage of having those manufacturers. They have not been able to get it.

The Vice-Chairman: This committee has taken a surprisingly partisan turn. I am flabbergasted. I wonder if we can pull it back to a higher note in the few remaining minutes.

Mr. Williams, who had to appear in another committee, is back, and Mr. Taylor are both on the list. Mr. Williams?

Mr. Williams: I don't know whether the question was asked in my absence, Mr. Minister. I had to be in the justice committee, and I am sorry for having to dash back and forth between committees. I think we are all having that difficulty today.

In any event, you had talked about some of the site selection process that is used in the neighbouring states, and

that probably was discussed in some length. I wanted to ask you whether there are comparative procedures followed in our neighbouring provinces, let alone the States.

I think the schedule that you had produced, but which was not made available to the members while I was here, was designed for the US marketplace. I am wondering what type of strategies our neighbouring provinces use. Do they have similar site selection processes, as far as domestic corporations are concerned? And what kind of competition do we have there in relation to incentives offered by the neighbouring provinces?

Hon. Mr. Grossman: In Canada it is harder to identify. They are less visible. DREE is quite obviously an instrument that is used basically in other provinces. You have some unusual laws in the Maritimes, for example.

Mr. Williams: Such as?

Hon. Mr. Grossman: I think the Maritimes give some latitude to municipalities to use some of their tax rates to lure industries in, to give free land.

Out west, you have obviously the heritage fund, which presents all sorts of possibilities for direct grant incentives. You also have industrial permit systems which are used by Alberta to say to firms, "Even though you are based in Ontario if you want to sell into the tar sands projects, then go ahead, but you are going to have to have an office, some sort of establishment, out here in Alberta."

That is just an example of the kinds of things, but those things are scattered, they are irregular, and they are a lot less visible than in the American jurisdiction.

Mr. Williams: I guess our strongest competitor province would be our neighbour to the east, Quebec. Do they use any specific strategies that would tend to put us in a noncompetitive position, as far as securing industry for Ontario is concerned?

Hon. Mr. Grossman: They have some tools. They use procurement. For example, if you want to sell to Quebec Hydro you have to be located in the province or else you cannot bid. They use the same sort of provision for selling to the Quebec government. You have to be there. They have moved away from that a little recently, but essentially that is the point of beginning.

Quebec also, there is no question, uses its equivalent of the Ontario Development Corporation to make it very attractive for firms to locate there. We monitor very carefully the movement of firms. I could not say to you that there is a firm that has been bought by Quebec--to use the crude term--from Ontario. But in terms of the attractiveness of locating in Quebec against Ontario, there are more generous government financing programs available, and there are very direct disincentives to anyone who wishes to sell to the Quebec government, Quebec Hydro, which are in place if you do not locate in Quebec, and, depending on the kind of firm you have, that is very powerful.

12:20 p.m.

Mr. Williams: Mr. Minister, your ministry has taken strong initiatives, as far as going out into the international marketplace to attract industry into Ontario is concerned. What exists on the other side of the coin in relation to other jurisdictions coming into Ontario to approach our own domestic industrially based companies to set up shop in these other jurisdictions? Do we ever look at it in that context?

Hon. Mr. Grossman: Yes, we have. I was pointing out to one of the members earlier that is a phenomenon which is occurring. We are seeing more and more groups coming up from the sunbelt states and from New York state making--

Mr. Mancini: Many from Mexico? How about Bolivia?

Hon. Mr. Grossman: --pitches to Ontario firms. Happily, as we have monitored it, they have not had any success. But it is a real factor.

Mr. Chairman: For the record. Nobody from Libya ever called Larry Grossman.

Mr. Mancini: I did not say that. I said Bolivia.

Hon. Mr. Grossman: Now they have lost Billy Carter, though, they may be interested in it.

Mr. Williams: You say there have been known instances where they have been successful in moving away some of our own Ontario corporations. Have there been any situations you are aware of where you have had to convince them not to go, maybe after an initial decision had been taken to leave? What disincentives do you offer?

Hon. Mr. Grossman: What you often find is it is not that simple. You have either a Canadian-owned multinational firm, or a foreign-owned multinational firm with manufacturing outlets in, to keep it simple, both the United States and Canada. They get a new product, get a new customer, and they have to go into new production facilities, or expand a production facility.

In that case, it very much comes down to an inside, intra-company decision: which one of our branches is going to get this increased employment and increased production?

There is no question about it, when the Ontario plant, whether it is a branch plant or a product-mandated plant, goes into the head office, again be it Canadian-owned or foreign-owned, and pitches to get that product made in their plant, often the return on investment, which is a target set up by head office--i.e., you have to have ROI in this product of whatever it is, say 10 per cent--is offset by Georgia or Alabama saying to the company, "Let us improve your ROI by giving you \$3 million cash grant," which obviously reduces the investment and increases the return on the investment. So those kinds of things happen inside the firms.

We would not even be aware of all the instances in which that is happening, except the odd instance where a company has come to us and said: "This is what is happening. Is the employment development fund available in that kind of circumstance?"

Mr. Williams: I would like to pursue the matter further but I will defer to my colleague, Mr. Taylor, because there are only a few minutes left.

Mr. G. Taylor: Do you have any minutes left for this?

Hon. Mr. Grossman: It depends on your question.

Mr. G. Taylor: I will try to keep it very brief because some of the others have been answered.

On the data base you were referring to earlier, you said ours was far greater than the US data base. Does that break down into any types of categories, such as, we have a data base that is statistical because we are keeping it basically statistical--how many plant closings, how many employees--so that it is just a record as compared to theirs?

You say they are not keeping it but there are many articles written on the subject in a general sort of way. Does that mean that their economic people, their investment people, their academics are doing what we are heading towards in a very academic, theoretical way, and thus they are not keeping the information? Or is it because you are up on the game and are keeping the statistical information for some reason, such as that it may be able to alleviate the problem?

Hon. Mr. Grossman: I think the answer is yes, if I have followed all that.

Mr. G. Taylor: Good. Carrying that one further--

Mr. Mancini: Is he like that in caucus?

Mr. G. Taylor: Not always.

Sociologically--and this is the part that we will have the most difficulty with. I guess if we look historically at the subject of losing a job from the great play, Death of a Salesman, right on through, we have some sociological factors that one comes upon if one loses a job individually, or if it is in a larger segment, but are you aware of any people who are studying that here, or do they have any similar ones in the US in that data base they are putting together? Because some of the situations are not only economic, but sociological, psychological, in impact.

Hon. Mr. Grossman: There would be none of those done by my ministry, of course. But I believe that the Ministry of Labour, to some extent here, but basically, I think, Employment and Immigration in Ottawa are the ones who are doing that, working together with a great deal of academe.

Mr. G. Taylor: One final question, and it gets back to

the same difficulty with data base. You referred to the Ottawa hospital closing as a type of inflated figure because, under the law of this province, they had to give notice of their closing, but the individuals all moved into--

Hon. Mr. Grossman: The new facilities.

Mr. G. Taylor: --the new facilities. But because of a statutory requirement, they received notices, which means the figures then are skewed. Are there any others that are going to be inaccurate, and can you produce some explanatory notes to those that will put an overabundance of numbers in a particular column that really should not be there, except for the statutory requirement?

Hon. Mr. Grossman: We will see if we can do that. I am not sure how much detail we can assemble. We will review all the labour data with Labour and see if we can help bring that down to a more clear position for you.

I think, by the way, that points out the problems in comparing, for example, our record with the American jurisdictions. In 50 states they have different acts, different filing requirements, different ways of keeping the stats. So how you really compare the figures, I just do not know.

As I said earlier, I think when you compare that to the bottom line, total employment, the unemployment data, StatsCan data, and try and compare the two, it gives you a pretty fair, if not 100 per cent accurate, look into the problem. It is not to say it is not a problem. It does give you a pretty fair measurement.

I guess I for one would say to the committee obviously adequate data is important to know the size of the problem of how many people are affected. But to get totally hung up on identifying through a huge bureaucratic procedure a totally perfect data base--I just think you ought to consider that very carefully.

Mr. Chairman: Thank you Mr. Taylor. The committee stands adjourned until two o'clock in this room.

Mr. Minister, thank you again, under the short notice, for being available to us. It was helpful and we will be back with your staff at two o'clock here.

Mr. Mancini: On a point of order, are we not going to be dealing with these recommendations of the subcommittee?

Mr. Chairman: Absolutely, before we leave today. I think it is critical.

Mr. Turner: Right now.

Mr. Chairman: We could now. I think it is better to do it this afternoon.

The committee recessed at 12:29 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, NOVEMBER 5, 1980

The committee resumed at 2:09 p.m. in room 151.

MINISTRY OF INDUSTRY AND TOURISM POLICY
(continued)

Mr. Chairman: I will call the meeting to order. We will carry on as we had before, just asking you to respond to questions if you would. Just to facilitate the Hansard task, Duncan, would you be kind enough to introduce yourself and your colleagues.

Mr. Allan: I am the Assistant Deputy Minister, Industry Division. On my right is Brock Smith, the executive director of the policy division of our ministry, and Harriet DeKoven, a senior adviser in that group. We conversed with the deputy and he gave us the mandate, as officials, to come to try to help you people.

Mr. Chairman: We had completed the list of questioners before we broke at 12:30.

Mr. Renwick: I think what I want to try to do is to get fullest information for areas where you can be helpful to us in providing information. I really do not want, I am sure you will be pleased to know, to engage in differences of opinion on matters of political philosophy, but I do not think that precludes some discussion about ministry attitudes on some of these areas which are not related to political philosophy. I can deal with the minister on those on other occasions.

2:10 p.m.

I do not happen to be particularly interested in trying to arrive at some arithmetically accurate statement about how many plant shutdowns there have been and how many employees have been hurt in the province, one way or another, over the last while. What we are trying to do is to get a real sense of it. We asked the Ministry of Consumer and Commercial Relations, and Mr. Bentley from the pensions commission in particular, to provide us with a list of all companies which had terminated pension plans. We asked them then to break out from that those that were terminated because of plant closures, perhaps with some other breakdowns of that figure as well. We thought that would be one index that would be of assistance to the committee in getting a sense of not only the extent of the problem but the actual names of companies that were involved in the closure operation.

When the Minister of Labour (Mr. Elgie) was with us yesterday he provided us with two volumes. I am particularly interested in volume one where he listed in some considerable detail--I do not know whether you have seen that brief or not.

Mr. B. Smith: We have seen it but we really have not had time--

Mr. Renwick: There are some matters there which deal with both statistical information and names of companies that have been partially or wholly shut down where there have been significant layoffs, and the definition of the significant layoffs that were involved.

My first question is what kind of information do you have in the ministry that will assist us, within our terms of reference, in understanding your add-in, described as the add-in of the other two ministries, that will assist us in getting a handle on it? Is there any such information that you have about names of companies, numbers of companies, numbers of layoffs, closures, reasons for closures, that would be of interest to us?

Mr. Allan: Mr. Renwick, as the minister explained this morning, we kind of take as a trigger point those things that come in through the Ministry of Labour's collection system and mandate.

In addition to that, because we work with companies before decisions, we sometimes advise the Ministry of Labour that something may be coming up--sort of look out, this one does not look good. We are working with them, but in terms of statistic gathering we are not a statistic gathering unit. We do not spend a lot of time in the ministry on this particular facet. We frankly do not.

We try to understand in global terms what this means; what is the significance of the current numbers of closures and layoffs vis-a-vis what happened in 1975-76; what is happening generally among competing jurisdictions and so on. That is the perspective from which we try to focus our efforts to determine whether there is more we should do, whether we are picking up slack that the commercial banking system has let down.

We want to know the reasons behind it, so we tend to look at each individual case where there is a market factor, technological obsolescence, US parent firm that may not have the will to stay in--those kinds of things. We look at each case, but frankly we do not spend a lot of time, or have not in the past at least, trying to get a statistical measure. We do work from the base data provided by the Ministry of Labour, and sometimes we make input to that information, but more important we try to abstract, from the numbers, the significance.

It was a little surprising to us, for example, to find that once you have this mechanical system of giving notice and so on, there does not seem to be a follow-up system. I will be very frank, we think there are some shortcomings in terms of a general understanding of what is happening there. You may have some layoffs and some recalls, you may have some layoffs or a new guy buys out, but it is what happens to the workers, I guess, or to the physical entity, that we are concerned about, not the statistical abstracts.

I tend to agree with what I heard this morning. We take the information as we find it and try to do something with it, but it is not sufficiently comprehensive or complete, let me put it that way, in the sense of saying what does it mean for Woodstock, what does it mean for X number of people over a period of time. I think some of the committee members alluded to this. You are probably quite right, we could improve on that system, no question.

Mr. Renwick: At the moment I am not worried so much about--

Mr. Allan: We do not have an independent source of information other than our field tentacles working with individual companies where problems arise that we hear about, either directly from the Ministry of Labour or on our own. We do not have a statistic gathering capability that will add more depth to the basic information the Minister of Labour presented to you.

Mr. Renwick: Fortunately, the Ministry of Labour not only did it statistically but gave us the names and the particulars from the raw data or the raw information from which, of course, the statistical information could be drawn. I am very interested, and at this stage of what we are doing only interested, in that part of the committee's work with respect to what I call the raw data, the raw material, the information on the basis of which this problem has come before this committee by direction of the assembly as a matter of very high priority.

Let me say, following up on what you indicated to me, that you have a company that has run into difficulties and you want to analyse what has happened for that company and the reason it has happened, I take it you could give to us a list of the companies that have come to the attention of the ministry, one way or another, and you could give us the summary basis of what your conclusion was about that company which led to the closedown. You said, for example, you tried to identify whether it was because of market, technological obsolescence, subsidiary corporation operation and so on--the significance of it in that sense. Can you give us that, company by company, and your assessment of the reasons the problem occurred in that particular instance?

Mr. Allan: We are prepared to go through that exercise where there is no breach of confidential information. As committee members you must be aware that when there are competitive companies operating in a particular product line, some of the information that comes to our ministry has a market significance to an individual company. They do not want to disclose to the competitors their game plan for particular products. With that caveat, sure we are prepared to go through this list we have from the Ministry of Labour, because we tend to look at it in that sense. Is this the end of a life cycle for a particular product? Are many of these things going out in this province soon? We will try to give you that, particularly with the companies we have worked with.

2:20 p.m.

There are some that I noticed, looking through what we received yesterday, that we have not put a lot of time and effort into, that we do not know a great deal about, but for all of those on which we have had an input or with which we have had some direct involvement, we certainly will provide the committee with our perspective taking into account that kind of thing so that you would understand.

Mr. Renwick: That is, obviously, one approach. You take what the Ministry of Labour has given to us and then tell us what you have.

I would much prefer you to do it in two stages: One, to tell us specifically the companies about which you, in your records, have information, rather than use the Ministry of Labour's list for the purpose of doing it. Otherwise we could begin to get into a closed circle and not break out of it.

As a second matter I would like you to go through the Ministry of Labour's schedules E and F--the long lists at the back, one for the auto industry and the other for general industry--and tell us on which ones you had any input, and have any comment to make to us.

I think you understand my first distinction. I want what you have, first of all, about specific companies, specific situations that you have examined and for which on your analysis, from the particular perspective of the expertise of your ministry, you have come to some conclusions.

Mr. Allan: We will go back and make an effort to assemble that information. I again suggest to you that I would make an estimation here that half the companies we work with will never appear on one of these lists.

Mr. Renwick: That is exactly what I want to find out.

Mr. Allan: The reason they will not appear is that we work with them before this kind of decision is made, to avoid it being made if we can help in that regard.

Mr. Renwick: That part of it we would also be extremely interested in; those instances in which trouble has loomed on the horizon in a particular industry and where you have been able to make some analysis and the ultimate trouble did not occur. I think we need to have that information.

Mr. Allan: In the other matter to which you made reference, we will go through those two appendices and give you our analysis, our comments and the degree to which we have been involved with some of these particular companies.

In terms of ongoing situations, the Rockwell International situation is still ongoing. Our ministry, as I recall it, was involved
with

Rockwell almost a year ago. There is still a situation there; they are dealing with their workers and looking at an adjustment to some fundamental forces and so on. We will try to bring those things forward.

But I want to reiterate again, whether it is Harriet or Brock or any representative of our ministry, we have guys who call on companies all across Ontario. Their basic role is growth or assistance; how can we help them to do something more or better; or to export, et cetera?

It is a fundamental change for us to stand back and look at the down side. What to do when something of this nature has happened is not really the modus operandi of our ministry. It is a role, but it is not our fundamental role. Our fundamental role is to see if people can do more, if they can get more exports, expand a plant, increase employment. We always tend to work, in terms of the concentration of our own effort, with the guys who have the best things going for them, where there is a legitimate interface with the public sector; whether it is helping them get federal money for financing or getting them agents, whatever we do.

So this whole business of looking at the down side of our industrial structure and trying to come to some view of how we can help in this thing is quite new for us.

Mr. Renwick: I appreciate the terms you have used. It certainly illustrates why the Minister of Industry and Tourism is upbeat and the Ministry of Labour is downbeat and their relative positions; one has to deal with the pessimistic side, the other one has to deal with the optimistic side of it.

What I am saying is exactly what you are saying. Whatever that interface and however broad the interface may be between the up side and the down side, to use your graphic expression, is exactly the area we have to talk about and deal with. It is at that point where the problems of layoffs and partial or total closures take place. It is in that area that--but that is a second point and I want to come back; at the moment I want to make sure I have exhausted what you have available for us on the down side, recognizing, as you say, that it is not necessarily the major thrust of your industry.

Mr. Allan: I would like to ask for a week, if that is within reason for the committee. I say a week, Mr. Chairman, to get some kind of time dimension on it. Typically, an industrial development officer calls on a company. He hears that something may not be going so well. He submits the information in a report or he may just phone in and say: "Do you know these guys may be facing some problems? They did not get the last two orders;" and so on. We have a fair marshalling job to pull that information together for the committee.

We need a little bit of time, because as I said it is not something we tend to do unless we have a remedial action, unless we think maybe we can replace some bank financing or we can help with some orders and so on; it is not a focus of our activity.

So we need a little bit of time to marshall information that is directly pertinent to our operations as a ministry as it affects these companies or others.

Mr. Renwick: Again, I think we are talking in the same area. What I want made certain, of course, is that our staff can have immediate access to whoever you were to name as the person we are to deal with.

Mr. Allan: I think you will be dealing with Brock as the key contact person, but the three of us will each be available, obviously, to serve these purposes to help your researchers.

Mr. Renwick: Yes; so that our staff, limited as it is, could have direct access. Out of today's discussions, this morning and this afternoon, our staff have a sense, and you, I hope, will have a sense, of what we are driving at. That being so we can then collate it and get it as quickly as possible. I accept the time factor as long as you appreciate we are dealing with an urgent situation where we must have an interim report to the assembly, of even temporary remedial things which can be done quickly and promptly before the House recesses or the session prorogues at the middle of December.

Mr. Allan: I can promise you that within a week we will have done a pretty thorough canvass inside the ministry of what kind of information, in terms of companies we have worked with or through the interface we have with the Ministry of Labour, that will be available to you.

Many of these will turn out to be personal contacts. If something happens with Winchester in Cobourg, I assign two guys to it. They work with the local member; they work with the union. We tend to look at these things as projects rather than statistics. I think that is the fundamental difference. We see a plant or a group of workers or an enterprise, and our approach is what do we do with that particular entity given the situation.

Mr. Renwick: Yes. We are interested in those raw situations where you have made your assessments and your judgements, rather than in the statistical fallout of what might be concluded from it.

The second area is on pages seven and following--I guess it starts on page six. The Ministry of Industry and Tourism starts to figure quite heavily in the--

Mr. Chairman: Jim, are you referring to the--

Mr. Renwick: The submission made by the Minister of Labour, volume one, page seven, about the employment adjustment service. There are frequent references on pages seven and eight to the Ministry of Industry and Tourism. Have you had a chance just to identify the pages I was speaking of?

2:30 p.m.

Mr. Allan: I have just looked at them and I think this accurately reflects the situation. There are meetings at which we are present, at the first notification from a company that there is a serious problem. We are at some of the face-to-face meetings. Sometimes we hear about these things because of our field service and bring them to the attention to the Ministry of Labour.

Quite clearly, one of the particular roles we have pressed as a ministry is our involvement in something called the federal manpower adjustment committees, because here there is something that looks significant for the long run. First of all, all parties seem to get a role in that. It is a voluntary system that requires the company to enrol in the federal adjustment process. Everybody gets a share of the same information in that process, which attracts us. You kind of look at the facts as they stand, and everybody knows--the union members, management, the government of Canada and our Ministry of Labour. We have pressed that and tried to sell that instrument, because we like the way it puts the information out and looks for all remedial processes, whether it is retraining, whatever it is; and the company has to pay some money, along with the government of Canada. It has those attractions to it, certainly where public funding from this province is involved through the employment development fund.

You asked the question this morning, or somebody asked the question, about what is happening in attrition generally. Where we see a restructuring or modernization that has an employment fallout, we tend to ask the companies, "Why don't you go and sign up on that particular instrument? It has a lot of good points to it. It brings to bear all of the instruments."

As a ministry we tend to advocate that as a good adjustment process. That does not apply particularly or exclusively to a closedown. It may be a sizeable reduction because of modernization and so on.

I don't think what I see on page seven and eight--if it does anything, it may overstate the extent to which this ministry can bring its instruments to bear. Some of these things are fundamental--a product line is gone and so on. We are not industrial salvagers, but we like to think that if there is a plant and a work force, we try to isolate what is going for this particular operation. What can we do with it to get it back into the productive system? It may be a new product line. What I see here looks accurate to me.

Mr. Renwick: I think what we tried to ask the Ministry of Labour to indicate to us clearly was give us some sense of the dynamics of what they do in this service and so on. I would appreciate it if you, first of all--

Mr. Allan: We can give you some case studies, which I think are probably the best illustrations of how we come to bear against these situations. We tend to think of them in those senses.

Mr. Renwick: That is what we want. We want to know, then, how you relate to this adjustment service in the sense that

we want to have some feeling of the dynamics of what takes place. What triggers it off, how does it proceed; particularly in instances where the triggering comes through your ministry and you get in touch with the Ministry of Labour, or whatever you do, and what the result of the functioning of that service may be.

Again, I guess that is another version of our extreme interest in the actual processes which are taking place; and the vitality of those processes, which must be of immense importance to us.

My mind missed a point a little earlier. If that caveat about confidentiality comes up in anything in connection with our staff, we leave it to our staff to draw it to our attention. We will work out whatever coding system is necessary to protect any of the information.

We want real instances, but if there are specific ones where you think a caveat has to be registered for confidentiality purposes--our staff is totally confidential, they don't have any obligation to disclose to us, unless we subpoena them and threaten to put them behind bars--if you and our staff agree that the coding is necessary, we are not going to engage in some attempt to destroy the confidentiality of information which you have.

The third area I am extremely interested in is something called the decision making process; that is, how corporations or organizations in the province make their decisions to close, both in the time sequential operation, when suddenly some guy says, "We have to look at this because we may have to close it down," through to how it occurs, and what involvement you have in it. It could range from way out where somebody spots some trouble until you come to a situation where there is a shutting down of a substantial portion of an operation in Ontario.

I want to know what your involvement is in that decision making process. Are you the passive recipient of corporate decisions in some cases, or are you a participant in the decisions? I think you are the only ministry that can really give us any sense of that part of it.

Obviously the Ministry of Labour by statute may be required to be notified about certain things, but I am quite certain that any organization in business thinks of it as providing information, explanations or whatever. It is not the Ministry of Labour that has any handle on the decision that is made. They must ultimately accept it with whatever grace it is made.

But you must be involved as you say. If your involvement is very little, or superficial, or is not relevant particularly, fine; I don't mind if you tell us that. On the other hand if there are some instances where, yes, you are a participant--without the responsibility, but a participant--in how they arrive at their decisions, we would like to have some illustrative examples of your role in that area.

Mr. Allan: Because of the development corporation and because we tend to do the staff work for the employment

development funding with regard to companies on growth or expansion sites, where there is a fall off or force majeure or some other element that requires it, we are in close contact with many companies. Indeed we are in a negotiating posture with a number of companies against potential decision making. In that instance we have a fairly hands-on role.

In other instances we are more in the local industrial commissioner's role. We try to reinforce somebody in Cobourg who faces a situation that is essentially market oriented. We are not salvaging, but we are trying to make the best use of that physical plant or that work force for a new enterprise or for a replacement enterprise.

It ranges. We will try to give you some reasonable menu of the kinds of ways we get involved in these different situations. But I would say that it is a fundamentally different role for us to look at the down side; our whole instinct is to look at the up side, to look at the new opportunities rather than the problems. At least, historically, that has been the mandate of the ministry's growth and development.

We do look across industries horizontally though. In the policy area we try to take a perspective on whether an industry is going to atrophy somewhat over the next period of time vis-a-vis the international competition and so on. That is a strategic look and it never bears particularly on a particular company. Sometimes it is a market endgame, and we know there has to be a fall out; if the industry is over capacity, there has to be a number of casualties. We look at it in that strategic sense, knowing that probably will happen.

2:40 p.m.

The particular casualties that may arise are not as predictable as you might believe, even though you do have a strategic scenario. Things come to bear. At that point, given that overall view--assuming that we think yes, there has to be some capacity removed from this industry, they are beating each other up; or the market is not big enough, or we are being cut off from export opportunities--we tend to look at alternative uses, rather than cushioning, or can we get through the cyclical adjustment and get back on strength.

We will try to put that perspective as well. There is a massive amount of information from the government of Canada looking at these horizontal industry trends. They had a task force exercise.

Mr. Renwick: I do not think we need that.

Mr. Allan: You are not interested in that aspect.

Mr. Renwick: No, we are not interested in that.

Mr. Allan: Some of the situations that led to the formation of this committee in reality fall out of those basic economic forces that are working.

Mr. Renwick: I was thinking I did not want to get immersed in what the government of Canada was doing.

I think I understand exactly what you are saying. As I said at the beginning, if I can stay away from the political philosophy differences and come to the attitudinal questions, one of the questions we are going to have to ask ourselves is the role of the Ministry of Industry and Tourism in what you refer to as the down-side, where you say you have had a minimal role up until now.

Mr. Allan: Yes.

Mr. Renwick: Yet, on the other hand you have a sense of responsibility about it because it is the total wellbeing of the social and economic climate that the minister was referring to this morning. We may have to give real consideration about the role of the ministry because of this problem.

I think, again staying away from the political philosophy part of it, that the dividing line that was clear to me this morning in the attitude of the ministry is reflected by the minister in statements which are made in the House from time to time. That is the fundamental question which was causing immense concern in the committee this morning.

It is that somehow or other, because you are on the up-side and so on, you do not want to do anything or have any changes made in Ontario which are going to prevent that kind of attitude producing what you think is the competitive position of Ontario in relation to all sorts of other jurisdictions.

The down-side I would like to express somewhat more positively. Our role is that to the extent people are getting hurt, we have to understand what the hurt is, how it has occurred and the extent of it. We have to deal with that part of it.

Mr. Allan: On your question of extent we will give you the best information that we can assemble from our contacts and our role. I must reiterate that we have not put a lot of effort into statistical collection.

Mr. Renwick: We understand that.

Mr. Allan: When these kinds of problems increase in magnitude we have gone to the Ministry of Labour and have said: "Let's take a look at your batting record. Let's see how it is moving. Is there any pattern in it? Is there anything that we can bring to bear?"

Mr. Renwick: Thank you, Mr. Chairman. You have been more than kind.

Mr. Chairman: The chairman is next on the list, followed by Mr. Mackenzie.

Mr. Allan, I have two questions that were triggered by the use of the expression "jurisdiction shopping" by the minister this morning. I guess that expression accurately describes what you

must see on a week-to-week basis. I want to talk about a US example first and then a purely Canadian example second.

In the US sense, could you just share with the committee how it works, this jurisdiction shopping? A US manufacturer contacts you by telephone, or you meet with him in person about a major new investment he is going to make. He is now down to several jurisdictions, Ontario being one of them.

What kinds of questions might this US manufacturer ask you? What are his concerns when he is doing this jurisdiction shopping in the context of Ontario? What leverage does he attempt to use with you to make this jurisdiction attractive and cause him to make his decision in favour of Ontario?

Mr. Allan: I will try to answer that question in terms of my experience. I guess in the past two years I have probably dealt with 100 such situations in one way or another.

Fundamentally, often the first 50 per cent of the impact, whether it is personal relations or whatever, is to provide quick and accurate information. Sometimes you are not sure whether they are shopping or are just gathering information.

Many of the larger corporations, particularly, have entire squads or site-selection teams, whatever you want to call them, and they do a very thorough analysis of transportation, labour, freight rates and where they are going to ship the product. In other words they know what it is they want to do and how it fits into their strategic consideration.

This applies to companies that are already here and are expanding, as well as to companies that are looking for a location here.

In my experience the paramount consideration is, "Give us the information so that we can calculate the rate of return or make a prediction with some confidence about whether we are going to be successful; whether this is the kind of enterprise that, if we can locate it, bring it in on cost, get it up and running, produce to the level we are thinking of, will make us some money." It is very fundamental; whoever is operating within those companies wants some fairly hard information.

In about half of the cases that we deal with we are not sure whether they are shopping until they come back to us. So the first approach, the most fundamental thing that we have to do, is to be in the ball game. We have to mobilize the information, show them alternative land sites, try to sell that we have a good thing going; that we have skilled labour, or that we will help them in terms of mobilizing facts and information.

That is about 50 per cent of it. But because they put a lot of resource and skilled people at these things when they make these decisions at executive committees--they either have in-house capacity or they use an external consultant of some kind, and there are many of them---you are never sure, in some instances, who the final party is; whether it is an accounting firm, a legal

firm, a consulting firm or whatever; there is a secrecy thing out there for a number of clients.

When you run into the secrecy thing you have a pretty fair hint that they are shopping. The consultant or the legal firm who comes to us also goes across the country, also looks at a number of things. That is what he must do to earn his money. He must get back to the client and say: "I canvassed a number of things. I checked things out. Here they are, A, B, C, and this is the way they fit." In about 40 per cent of the cases you are not dealing directly with a client; you are dealing with an intermediary, however that is parlayed. What they are trying to do is get a handle on where Ontario is, vis-a-vis other places.

When we start dealing seriously with a principal, our instincts are to get beyond that intermediary. We like to get right past that intermediary, or through him, to the principal obviously. Because then you have personal contact, you are not brokering information; you get a chance to persuade somebody or to explain some of the problems that they may have in the back of their minds and so on.

When that happens I would say it is fairly rare, although we make a fair attempt at it, that we can flush out: "Here is a specific concession. Can you meet this price?" The only way you ever find that out in the long run is by the ones you lose. You really find out when you have been working closely for two or three years with a company and they are ready to make a decision and they do not make it. Even though you thought you had the inside track and had worked hard with them, they go somewhere else.

That is a pretty good indication that there has been a positive relationship and the decision making has been advancing in support of an Ontario investment, and then it does not happen; it happens somewhere else and usually rather abruptly. That is a pretty good signal that you ran into a last minute bundle of poker chips that either you did not get a full shot at matching or you did not even know it was going to come on the table.

2:50 p.m.

As the minister said this morning, our instincts are not to have pots of money around or concessions. We try to sell everything that is there because we are confident that we have a lot of natural nonincentive attractions which we put into that fact book, that you can make some money, that by and large our labour record is better than Canada's, we have energy and so on. We try to mobilize that. It is only as you start to lose some--there is a competition within Canada as well. In that ball game we can play as aggressively as anybody else if it is a net new investment for Canada and we think it makes market and commercial sense to be here.

There are instruments that work in Canada to deflect activity from Ontario, quite frankly, as we are the happy hunting ground in terms of taking our existing companies, not moving them but getting them to grow or expand elsewhere, and in terms of

foreign opportunities, there is a deflection and it is natural, that is the government of Canada's role, to try to spread things out in different ways. In that sense we do not compete. If there is another province there that has something, we really do not compete. We certainly do not compete to move anything, or any activity that is located in another province. The cabinet has given us very specific instructions, if somebody wants to move--

Mr. Chairman: Just the US, that is all I was concerned about.

Mr. Allan: Yes, just the US. So we try to ferret through it all to see what it is that we are up against, particularly where we think we should have a good shot, because it fits with our industrial structure, because we have the inherent advantages, and that is where at the margin the employment development fund has been brought to bear on occasion to match. We add up what we have going and essentially what we think is a good reason to be here.

If somebody else changes the game on us, for any number of reasons--we do not have revenue bond financing, we do not have municipal giveaways, tax free periods and so on--we will match the minimum price at the margin if we are convinced that is a good thing for Canada and that company will thrive here.

Mr. Chairman: On that point, the employment development fund, the minister said it was the biggest tool--and I understand that--they had available. If we were just having dinner tonight casually and we were just chatting and I said, "What is the best deal you have done since you have been there in 12 months?" You got down to the initial go-between, the shopping, and you got down to meet a real guy, and this real guy had it down literally to two or three places--

Mr. Allan: The best deal we have done?

Mr. Chairman: Yes, what is the best one you have done? Could you just share that with the committee, what you had to do, the kind of money out of the EDF or other important things?

Mr. Allan: The best deal we have done is to put the--in many senses corporate executives are no different, I guess, from anybody else; we want to be sure, particularly where there is a subsidiary arrangement or there is an aggressive Canadian management and an existing subsidiary, and they are bidding in a world sense for access to the investment pool, it may be Mexico, Brazil and so on.

The ones that seem to have worked the best or the most powerfully is to put our Canadian management at that corporate board meeting in the United States on an even footing, give them something to make them go out and say it is going to work, you are going to make money, and not only that, Ontario believes in it and is prepared to put some front end money behind it.

And believe me those are small amounts of money. You are talking five to six per cent of the capital. We are not talking 25

or 30, big deals, but it is the certainty; it is just that little extra that says: "There you go, go and work hard to get that project for Canada. By the way, the province really strongly believes in it, thinks it is a good thing, your company will do well with it, and we will take a co-investment, front end position, of very marginal dollars".

You asked me the best deal. We probably put in two per cent of the capital, which is really marginal dollars, but it was what that meant in terms of a tilt right at the decision point. It has to be brought there with certainty, so that we do not lose that accumulation of advantages and fundamental commercial reasons why we should have our fair share. So it is a quick-decision tool; we will put it that way.

You asked the best deal, I mean there are a number of such instances. We are not a big player. We don't put a lot of money against-- We are way out of our league in terms of dollars out, or taxpayers' money expended, against the capital involved, because we are working on the principle that there is enough going for us in this province, that we should get our fair share without doing anything. But there are other guys out there playing different rules, so we have to be a player.

Mr. Chairman: But can you give us a specific example? If you can't I understand. You went home one night; you felt really terrific; had a hot chocolate with your wife and you said: "Jesus what a day! We did a deal."

Mr. Allan: Are you talking about a company name?

Mr. Chairman: Yes. If you can't--

Mr. Allan: Let me go back and think about it.

Mr. Chairman: No, okay, I am just curious. Can I move on to my second--

Mr. Allan: The ball game here is you never tell anybody what you are doing. That is what you have to understand about this. When there is a whore's game going in town, you don't tell the gal down the street what you are charging when you really get to the crunch. You really don't.

Mr. Chairman: It's better than taking the partisan twist.

My last question--it is in the same area you dealt with--just a Canadian company. Make it really simple for me, a company operating only in Ontario now, a wholly owned Ontario company that is thinking of expansion or relocation.

Because this jurisdiction shopping is going on, to what extent, in the time that you have been assistant deputy minister where you are, have you been approached by such a Canadian company in Ontario to see if they could--have they begun to lever you? Have they tried to blackmail you? "We know the games that are going on. Here is where we operate now. You know it, and here are

some of the new moneys, the new incentives available in other jurisdictions." Have you seen that happen, and is the trend increasing since you have been there of that kind of thing?

Mr. Allan: I guess it is happening. Yes, certainly, we have had some approaches and I would be more sanguine about it if it were Michigan or Ohio or Pennsylvania. We have had shopping trips up here at the Royal York where 50 companies are invited. They blitz all of our manufacturers with brochures and they give their sales pitch. We are pretty confident.

First of all, one of the things we try to do is, if anybody is seriously interested in that kind of a pitch, who is already here, I guess our approach is: "Come and see us. Tell us what your problem is because it may be fundamental." If a guy is going broke here, Michigan can have him frankly, or Ohio or whatever. But those guys are the most vulnerable to such pitches.

You must realize that, when you go on one of these blitzes, you tend to lure the guys who are hanging by their toenails, the very mobile people. We have not seen much--in fact any--I can't recount two instances where there was a genuine loss to this province because of pressure or competitive things, to move our base to the United States.

There is a drift. As the sunbelt draws from the northeast, the northeast tends to draw from Ontario. I mean it is almost a gravity thing. But there is almost a canyon in there. Our plants are newer; our productivity is equal; we have the Canadian dollar so we tend to have kind of a drawbridge. There is a whole belt of plants in the United States, in the northeast, that are far worse off than we are in Ontario, far worse in terms of fundamental economics. So there really isn't any pressure to jump that thing from here to the sunbelt.

There is definite pressure to draw away from some of those states to the sunbelt, and they tend to canvass the world around them to replace it. We have not seen, that I know of, a single major instance where we have lost part of our base capacity that was not ultimately market influenced, or something that was incentive influenced. I don't know of one in two and a half years.

We do run into pressure and irritation, frankly, among Ontario based manufacturers, when they see part of the game that happens across Canada. In this country there is probably more competition, less overt, maybe subtle, but there is strong competition to diversify everybody's industrial base. That is the name of the game. Everybody wants to have not just what he is best at, but a piece of everything to get the job mix and all that.

3 p.m.

In Ontario, because we have the history and we have a lot of the base industry, it is naturally the place one goes to see if you can get growth elsewhere. And we are not particularly concerned about that either because the fundamentals of proximity to markets, making money, skilled labour and so on still win the day.

Incentives? Frankly, it comes about fifth out of all those fundamental factors. And that is very healthy; that reassures us. We have done some research in Europe and in the States about attitudes and the incentive factor, frankly, is about fifth or sixth.

Mr. Chairman: What are numbers one, two and three? I guess, it's been mentioned partly, but--

Mr. Allan: For an American investor today?

Mr. Chairman: Yes.

Mr. Allan: Stability. Stability overrides any other consideration as to what is important about placing his money at risk in a foreign jurisdiction.

In Europe, in the Common Market, political stability. When you canvass countries--England, Germany, Italy, France, Belgium and so on--when they think about an expansion, even within their own closed entity, political stability overrides everything else. Proximity to markets is--

Decision makers tend to think fundamentally first, "Can I sell my product?" If they can sell the product, our markets will never go away. All the other considerations--in the long run markets have to be there.

Skilled labour and labour relations also rate fairly highly in Europe, not as highly with Americans, because a lot of decision makers in the US tend to regard this province or this country as very much like what they have there. And we are talking about the northeast. We do not have an attitudinal response from the sunbelt states. There may be a difference. But in terms of that belt around us of the industrialized old America, they think that the institutions and the circumstances here will be very much like what they find at home. That is reassuring.

Mr. Chairman: Duncan, my last question in this area and then we will go on to the list: To what extent, if at all, are--I call them the quality of life--factors part of the decision making there? I respect stability, number one, and those other kinds of real economic factors that you have alluded to. But when I talk about quality of life things, I--

Mr. Renwick: It's where the chief executive officer's wife wants to live.

Mr. Chairman: I think that is a very real point actually: where the president's wife wants to live, golf and do whatever she wants to do; the presence of schools; affordable housing; churches; what kind of communities have those things. To what extent, if at all, have you seen those quality of life type of considerations emerge since you have been there?

Mr. Allan: I will put it this way. I have not dealt with a senior executive yet who worries a hell of a lot about whether his wife goes to the opera, frankly.

More interesting, when you take him to a Blue Jay game, whether he has ever been to a major league ball game--if he comes from the midwest, he may not have seen a major league ball game. I am not saying it is male chauvinism, but this opera, wives, quality of lifestyle--they are impressed by the CN Tower; they are impressed by this city; by Ontario Place; by the Ontario Science Centre; by the esprit that is here. They like this city. People I deal with who come to Toronto like what they see here. In that sense we have a major quality of life selling point.

When we take them around to look at Ontario, by and large we have three things going. You do not see many slums or physically rundown deteriorating areas. You do not find our medium-sized towns and our small towns atrophying in the same way that you do in other jurisdictions. The countryside looks pretty attractive. You drive a guy for 120 miles and that is the feedback I get; it looks pretty good physically.

Maybe we have that going for us; they do not bring it up; they just absorb it; they take it for granted.

But that has been my experience. We don't have the thing, "Hey, you have to have the opera, and X, Y, Z." Maybe it is something New York City can sell and they need to sell it and it is an attraction. But it does not come up often. It is fairly low. I have not heard yet where it is a significant factor.

Mr. Chairman: I would be surprised: To go down from the opera and golf club to the bread-and-butter things like a subway system which is functional and cheap, GO trains, schools--

Mr. Allan: Walking on the streets--when you walk down Yonge Street with them and they can relax and see a major city functioning at night, that is very attractive.

Mr. Turner: I just wanted to make an observation, Mr. Chairman. In the day of instantaneous communication such as we have now, is location really all that important any more? The feedback I am getting, to be quite honest with you, and you can comment on it or not, is that a lot of people living in a metropolitan area for various reasons would like to get out of the metropolitan area into a smaller community within easy driving distance--not too far away from the major marketplace which, of course, is the metropolitan area.

I hear people who are very concerned about the cost of living--the cost of housing, the cost of transportation. While there are a lot of things going for everybody in this community, as you have said, there are still some basic problems.

Mr. Allan: I meant Ontario and all of its intermediate cities.

Mr. Turner: All right; you are going to qualify that.

Mr. Allan: When I say they happen to come, I mean they probably fly into Malton. We may take them to Belleville or Peterborough or Cambridge or wherever most of the interest is.

There is not an overwhelming number of guys who want to come to Metropolitan Toronto. This is where they land and this is what they see first and last, but where they are going to be is probably somewhere else.

We do find though, in terms of incentives, that we have strongly sold a competitive tax climate. The government of Canada put out a report, which we put into our fact book, that basically says we are competitive. If you will remember, back in 1974-75 when the government of US put in their export incentive legislation, the domestic international sales corporation, Mr. Turner, the then finance minister, changed our corporate tax structure basically to neutralize that by the processing and manufacturing tax write-off allowance.

We feel we are pretty competitive, but there are tremendous pressures. Taxes do come up; they come up significantly. Because once you have blocked off all the things that are of no concern you are always back again to, "What is my after-tax rate of return on my asset?" Whether it is R and D, or when we put a sales tax on a conveyor belt or whatever--and there are isolated instances where Ontario taxes productive investment to some extent that are not taxed elsewhere or are taxed at lower rates--we do run into that situation.

As incentives we do not have revenue bond financing, tax-free giveaways in the locality, and we do not have some of the exemptions on capital assets that exist elsewhere. Those are brought up to us, and when that happens we tend to look at the overview where we have things in other areas like a front-end fast depreciation system which is frankly more attractive than the United States'. But as they adjust over time, and the adjustment process in the United States tends to be in our direction to slowly neutralize those things, we then will face more pressure on incentives.

We do not have the front-end incentives, we do not have the institutionalized local incentives, because we do not believe municipalities should compete to give away revenue. If it is good for Ontario, somebody should get some money out of it, some part of the public sector should prove some return to pay for social services.

Mr. Eakins: But we don't give any incentives in municipalities.

Mr. Allan: That is what I am saying. We do not have assessment giveaways any more in this province. Frankly that is a very healthy thing because you are getting more rational decisions and you are getting more regionalism in terms of, "Let's look at the Sarnia area and the surrounding area." Instead of thinking parochially, some of the municipalities in the industrial area are thinking regionally, and that is healthy; whether it is in eastern Ontario in Prescott, or around Kingston and the township and so on.

There is not as much of this oneupmanship and we are encouraging that overtly because we believe that it is good for

the whole area if any one part of the area secures a major expansion. That is not necessarily what each industrial commissioner thinks, but over time it seems to work better.

3:10 p.m.

Mr. Mackenzie: If it was a whore's game in town, would a walk down Yonge Street be an incentive or a detriment to somebody moving into the area?

Mr. Turner: Is that up-side or down-side?

Mr. O'Neil: Would you repeat that, please?

Mr. Allan: I meant that in the nonderogatory sense. I believe that Yonge Street and the city of Toronto, to the extent that you go to a downtown hotel, is a very attractive cosmopolitan area in the context of American cities. That is my experience.

Mr. Mackenzie: Fair enough.

Mr. Renwick: That is a common experience with all of us. People from the States tell you that every time you meet them.

Mr. Mackenzie: I have just a couple of things. I am sorry to belabour this point, but I am trying, with a little bit of difficulty, to get a handle on what we really do or do not have in terms of reporting mechanisms.

We could not get the Instant Hansard--they seem to be snowed under in Hansard--to go back over the Minister of Labour's remarks on the procedures to keep track of what is happening in terms of closures, layoffs and so on. He indicated some difficulty with the quality of their stats. I got the impression that he had said--as I understand your remarks now, you are probably perfectly innocent--they had got a lot of their information from you people. I take it, that is information from your officers who hear something out in the field or that somebody is in some trouble; that the information may come to you first before it gets to them.

Mr. Allan: That is a possibility. We encourage our guys to write in if they hear of something in talking with a plant manager or whatever that looks serious, and we will try to get the Minister of Labour. We do not have a follow-up reporting mechanism. Our mechanism is the mechanism of a group of salesmen who report in once a week on what is going on out there.

Mr. Mackenzie: So on either side, I take it, we do not really have a formal reporting mechanism. Is it reported more to the Minister of Labour than to anybody else?

Mr. Allan: The Minister of Labour has the only legislative or formal reporting mechanism through the Employment Standards Act. We have nothing comparable. We have goodwill, day-to-day contacts and those kinds of approaches, which may be helpful. We also have the employment development fund where we tend to take a role.

Where we see a labour problem, we obviously bring the Minister of Labour in by invitation immediately, but it is not part of our kind of past mandate--we will put it that way-- to have companies report to us on what they are going to do in the next six months. We are more interested in whether they are going to export or whether they are going to grow or whether they need some skilled labour than we are in whether they have a temporary market problem and have some layoffs.

Mr. Mackenzie: One other thing, is one of the things your field officers are watching for or reporting on the whole question of attrition, which was raised this morning? It was certainly raised as a major point with us by some of the people involved in the union movement, but would one of your officers say, "This company may still seem to be healthy but their work force is down from 3,000 to 1,500 or 1,000"?

Mr. Allan: I have not looked at it. We have something called an interview report. When I first came into the ministry I thought it was a lot of paper. Every time you would go to see a company you would file a report and say you were there. That did not seem to me to be as functional as to say, "There is something we can do for this company," or "Here is something we should know about"--a kind of exception reporting basis which I have been encouraging our guys to go on; if they see something that is important they should phone in.

Mr. Mackenzie: It would be more an immediate problem, "We are heading for a closure or a bankruptcy," or, "We have problems in the product lines," rather than, "We have had a lot of modernization and the work force is way down."

Mr. Allan: I think it would be very difficult. Some of them would be able to do that and say, "Over the last four years these guys have adjusted their production line as follows." It would be gradual and imperceptible almost. It is not something we have measured or made a conscious effort to watch.

I guess if somebody went to Inco and could take a look at it, my guess would be that Inco is down 5,000 in the last 10 years fundamentally.

Mr. Mackenzie: It would figure out much more than that.

Mr. Allan: I do not know. That is what I would think.

Mr. Renwick: It is more than that, from 17,000 to 11,000.

Mr. Allan: Well, 6,000 or 7,000; that is a long-term process of higher productivity, machines replacing men X, Y, Z, and those things are essential to be competitive. But we as a ministry have not taken the role of looking at that, observing it and making some analysis of it.

Mr. Mackenzie: That is more the social side of it and I think I understand it. What I am trying to get an idea of is whether that enters into your calculations at all or not.

You deal more, as you said, with the up-side of it. To use just as an example, the Canada-Ferro Company Limited of Brampton on page two of this report, what has been reported is that this company "will close up completely in March or April due to overcapacity in US plants and general downturn in the auto industry. Company premises are leased but equipment will probably be sent back to the US."

Do you verify that kind of information? Really, once that has been verified, whether by your people or not, are you out of it at that stage? Is it then a problem for the Ministry of Labour?

Mr. Allan: In terms of physically moving the machinery or doing something fundamental, yes, we would be very interested. I do not have that particular report. I am not familiar with that particular company personally.

Mr. Mackenzie: I was using it only as an example. What I am saying is once that decision is made, do you people check to see that that is the case to begin with? Once the action is taken--they are obviously going to terminate; that is the down-side of the picture--are you essentially then out of the picture?

Mr. Allan: If we are satisfied that it is markets or fundamental economics, our philosophy is not to run interference against those forces. Our approach is what do we do to put in place, or replace, in terms of that community and its prospects or that plant. We certainly look very carefully.

If there is a close-out or a threatened close-out in Canada by a multinational and we think there is some product prospect or some opportunities to make money and stay in business, we look very hard at trying to get somebody to buy it out. That is our first instinct. If it is viable, rather than moving it or seeing it closed down, let us get the new entrepreneurs, whether it is management or an equity investor, to take that opportunity and run it.

Mr. Mackenzie: But other than possibly trying to arrange some financing, it is essentially a persuasion game that you are in. That is the tool that you have.

Mr. Allan: It is essentially persuasion; although we can tell you frankly we have been at the brink on a couple and we have put in place, in terms of, "Would you like to take a run at this?" We always have to piggyback on an entrepreneur. We, as a province, are not in the business of buying companies and running them.

If there is an entrepreneur, or if there is a principal group there who can make a run at it, we try to come in in support of those people. You have got to have somebody to run it and make it a business. Bureaucrats cannot do this job frankly.

Mr. Mackenzie: Once you are past that stage, and say you have not succeeded, then the problem in terms of retraining of manpower, or whatever is done with those workers, is, first, a problem of the Ministry of Labour and, second, if there are

ongoing difficulties, a social welfare problem.

Mr. Allan: No, there is also a broader community adjustment.

Mr. Mackenzie: I guess I am including that; if there is some way of absorbing the problem of these people.

Mr. Allan: We do not have hands-on programs; those are located elsewhere, in the ministries of Labour and Colleges and Universities and in the government of Canada. We are not a remedial program ministry in any sense of the word.

My guys are out there in the field and they are attached to or feel they have a stake in what happens, in the sense that those are clients that they have called on. They do follow. They do play a role. And in Mr. Elgie's committees, our guys will probably play a very large role in that kind of focusing.

Mr. Mackenzie: One of the things they might do in the retraining programs that are available at the community colleges is to see that some order comes out of the current chaos as to whether or not you have any accreditation towards an apprenticeship or anything else. That is causing all kinds of problems in some of the manpower and retraining programs.

Mr. Allan: There will be a report and, if not, Mr. Pollock has another role. I can only comment that what I have seen in dealing with companies is that there is an instinct, and in many companies it seems to be a very healthy one, to grow their own skills.

I do not know whether that is a reflection on our institutional training systems or not, but the guys who tend to grow their own, or to bring their own people through a training system in a plant seem to feel fundamentally healthier or more secure than those people who just tap the institutional markets. That is an attitude.

Mr. Mackenzie: Then we have to step up the number of them who are doing a proper job on apprenticeship. What happens, do you get involved, or do your people get involved if one of the areas in the same field where you have a closedown or a shutdown you are aware of or have been informed of taking place and that happens to be one of--I think the example I used with the Ministry of Labour--only two or three operations in the province that produce that particular product line? It simply means that we are going to be in a position of having to export.

Is there any additional effort made in terms of your people in the field to keep that operation going? Or is it still a straight economic decision that you may try to get around?

Mr. Allan: If it is one of two and suddenly it may not be economic for that firm but it puts us in a position, as a country, that we will have to import, we will have to replace that facility by imported product, we tend to look harder at that because that is significant. Our balance of trade is

consideration. When we are dealing with companies, we are more interested in them balancing their trade, particularly multinationals. But if we have a company that goes out, we do not look as narrow as this province frankly.

If there is an operator in another province who is doing a better job and who is beating them in the market, we fundamentally resign ourselves to the economic forces, and that may be one of the casualties in this province, but the Canadian industry can very well be healthier as a result of that end game. In that instance, we are not parochial.

Mr. Mackenzie: What is the reaction of your ministry, and once again--in a general way because I do not have the exact figures--we have raised the question of what is happening, to some extent, on two particular product lines in the food industry, peaches and tomatoes, and the Del Monte takeover of Canadian Cannerys. A large number of plants that were closed as a result, probably in straight economic terms with some justification but leaving us, in effect, in a position where we have gone from about 75 or 80 per cent production for our own use to somewhere down to a 20 or 30 per cent range. Is that not a concern, or is that something else that--

Mr. Allan: Yes, it is a concern but you are looking at an industry sector and a transition in that industry sector, and indeed that should be addressed. The Minister of Agriculture and Food has the strategic input into it. We are concerned--

Mr. Mackenzie: Except that the result of that particular corporate takeover and sale is the closing of one hell of a lot of small canning plants and, in some cases, some of the producers going out of business.

Mr. Allan: I am not going to argue the merits of having fewer or more canning plants. I would say this. If the raw material--

Mr. Mackenzie: It really was not just to make clear the merits particularly, but I wanted to know what happens in your ministry.

Mr. Allan: No, but if the peaches produced in this province are primarily for fresh consumption--and as I understand it, that is a fact, we do not fundamentally produce peaches to put into cans; we produce peaches to sell in baskets--then I do not think anybody can decry the fact that we do not have the peach processing facility of any size. It may be a convenience to shoppers to buy canned peaches in February, but if our producers produce a product to get the highest value, which is fresh peaches, you have got to have raw material to have a processing base.

I would be very surprised if in the many things you are talking about our raw material base is not the fundamental consideration, whether it is corn, peaches, whatever. We do not have a corn processing plant in the province because we do not have a market in corn. We feed it to hogs and we put it in silos

and we ship it out in the form of beef. We could have a corn processing plant and make alcohol and sugar and other things from it and you would not be taking it out as bacon.

Mr. Mackenzie: We could have a sugar processing operation too, which we used to have and some people wish we had back again, but we are out of it now.

Mr. Allan: Yes, we can; we have some cornstarch plants. But I am suggesting to you that in the food processing business the raw material supply is so much more fundamental than any other consideration, it is the paramount consideration that leads to processing. Because if people want canned peaches, and we produce enough peaches that somebody sees a market opportunity, we are going to have a processing facility for sure.

Mr. Mackenzie: The only thing that disturbs me is why at one stage, not very long ago, we did, but now we do not. I grant you that maybe the roadside or fresh market selling is a factor, but we are also now importing one hell of a lot of cans of peaches that we did not used to; and tomatoes.

Mr. Allan: I am not disagreeing with you in the sense that we may not be as fully self-sufficient in that rounded sense. I would be very surprised if the productivity of our agricultural sector in each of those product lines has not risen and the volume has not risen. The consumption pattern is like Ontario concentrating on selling fresh milk while Quebec concentrates on selling milk powder.

Mr. Mackenzie: I do not really know. It is--

Mr. Allan: We tend to get the highest value in the fluid milk market by selling it to people who buy it every day. You can sell it for bird seed or golf balls and you will have processing plants.

Mr. Mackenzie: My guess, and it is only a guess and I could be proved very wrong here, is that it will cost us a lot more over the year; at least it would in my house, I know, in the number of cans of tomatoes that we will buy for our family than in the baskets of fresh peaches we are going to buy during the course of the year. It is probably about 100 to one, being spaghetti lovers and lasagna lovers.

Mr. Allan: I think though you might properly address the fact of what is the volume of production of tomatoes, what goes to the processing plants and what are sold fresh, because you are looking at a consumption factor. I cannot believe that if the raw material is there and the market is there that you do not have somebody--and we have a long history in this business--who is going to can peaches or who is going to can tomatoes to meet that market.

Mr. Mackenzie: What rationalization have you had over the White Motor Corporation announcement which, I gather, came today, that they are finished and selling off their assets in Canada?

Mr. Allan: I do know this. There have been some approaches. We encouraged a group of Canadian companies in the auto parts business to try to get together a consortium to take a look at that asset. There is a fundamental--again, that crosses boundaries. Unfortunately, if you have 1,300 dealers in North America and you produce tractors and ploughs in the United States and you produce rotary combines in Brantford, and each dealer in the 120 in Canada and 1,200 in the United States has a White product line--and it is a prestige product line--he has got to have a full line of products. So you might sever the truck business from the farm equipment business; that is fair enough. But fundamentally whoever looks at the asset as we know it--and there is one at Kelowna as well--has to look, in terms of that receiver, Clarkson, who operates under section 11, has to look at what is the best deal as a going concern.

I know there are some American principals interested. We have a number of Canadians who have looked at it. I think, indeed, there is probably a process going on at the Foreign Investment Review Agency now. I do not know what the end result may be.

As I understand it, the rotary combine is a profitable venture as a profit-setter in Brantford. I am quite confident that whatever happens as a result, in terms of ownership, that particular city and that enterprise will be back up and running. Because in terms of corporate finances, when you have dealers without product, and the dealership chain, the distribution chain, has a lot of the final value, you do not give that away.

And the government of Canada has a lot of money in that rotary combine. It was government of Canada financing that led to that technical development. It is not something that we, as Canadians, do not have a big stake in, and I would guess, not only through only FIRA but through the technology financing, we have some pretty big trump cards in determining what happens to that facility. They happen to reside in the government of Canada but the fundamentals of an integrated operation selling a full product line probably have to prevail. It may be a Canadian who buys it all, it may be an American who buys it all, but our main concern is to get those workers and that facility, which is a modern, effective facility, back up and running as quickly as possible.

Mr. Mackenzie: One final point I was going to bring up. I guess there has been a bit of a difference between us and the government for some time, but it is something I think your people would be the first to take a look at; that is the argument over whether or not the country, with the mining involvement we have, should or should not be doing the amount of importing we are doing of mining machinery equipment and heavy equipment.

Is that something that is discussed with potential investors at any great length? Is it something that we would actively promote, or only if somebody came to us who might have the capacity to do it?

3:30 p.m.

Mr. Allan: I do not want to go through the past or the

history but probably this province lost a major opportunity. Canada lost major opportunities in both the forest products machinery business, a lot of them were tested in British Columbia, and in the mining business where a lot of them were perfected in Ontario. We missed the boat well back in time. But without crying about spilled milk, yes, we do make an active effort to influence or interest people to either integrate backwards or to put something together.

There is a problem in Canada in the capital goods industry. It is a simple problem. It is fairly small; it is historically located in Montreal, where it always was. It was a spinoff from major corporate enterprises of the 1930s, Dominion Engineering and so on, and it is very cyclical. So you have a scale of operations which is relatively safe. You never catch the peak and you never really get burned by the trough.

So when we have a capital investment boom, we miss opportunities. A lot of those plants are working to capacity right now and there is a queue for orders.

That says in the short run there is a opportunity for an investor to move in and be a new competitor in that business. It says in the longer run, when you hit the next slowdown in capital goods orders, a lot of guys are going to get burned. So you have to ride it both ways.

But we are pressing the issue; we will put it that way. We probably see it as a gap in Ontario's industrial structure. We should have more capital goods, indigenous capability for our own industrial growth and for some of the opportunities in Canada.

Mr. Mackenzie: I agree. I understand that you can get burned in it, but it seems to me that just because we have missed the boat at some stage in the past, it is probably an area--and there are probably others like it--we really should be promoting, even if there is some cost. I think there might be more return on that than on some of the other things that have happened in the province over a long period of time. Certainly if you got away the imports as well--

Mr. Allan: I leave you to debate this with the minister. It was just a personal observation.

Mr. Mackenzie: It is a little easier to debate or to ask questions of you, Mr. Allan, than of the minister. I respect his view--

Mr. Allan: You are getting me into trouble now.

Mr. Mackenzie: I respect his view. I do not think he is silly, I just think he is wrong, you see. And that is the reverse of what he thinks about us.

Mr. Renwick: But you respect him.

Mr. Mackenzie: I just think he is wrong; not silly, just wrong.

Mr. Renwick: Just be careful, Mr. Allan, he is a (inaudible).

Mr. G. Taylor: I was just wondering, Mr. Chairman, if I might have a supplementary to Mr. Mackenzie. I think it was answered but in a general way.

Is there a possibility of moving or suggesting, do we have the ability to put somebody in that mining manufacturing equipment business?

You were talking about the peaks and troughs. How far can the ministry take its forces to enlist say the private sector into that field? Or is it too far advanced now, is the time when you can get in not available at this point, or any longer available concerning the magnitude of all of those things that go to make up that industry, the machinery trade, the skilled trades, the equipment, plant and all the rest of it?

Mr. Allan: I do not think anything is too late. We are going to have a very dynamic minerals and resource industry for a long time in this province and the process of change--machining and extracting those resources will adapt over time. So I am convinced there are opportunities.

When we look at it at any time, you are always up against somebody else's technology who is in the business. There are instances of machining. There is only room for one producer in all of North America. The scale for some of these things is monumental. One guy who is in it has locked up \$500 million of capital in a 30-year batting record--if you go in, you go to take a bath because he has been there so long that there is a significant economic barrier.

There are custom things. It is fairly obvious we have adapted in the heavy machinery business. We have Owen Case sitting there outside of Hamilton and the big draglines. That is foreign technology put to work in Ontario utilizing a labour force and our advantages, but that plant cannot survive in the entire Canadian market. This is something a lot of people do not realize. There is not enough Canadian market, if they pit it all against all the world's competition, to keep that plant operating. So when you look at some of these, you are looking at opportunities far beyond Canada, far beyond our own mineral industry.

If you look at the new Algoma Steel pipe investment, where they are going to make the casings for oil exploration in smaller sizes, they already have 70 per cent of the Canadian market before they make the investment.

If you look at a \$300 million investment, there is not enough business in Canada if they have got it all to justify putting the money in. They have to get a big piece of what is happening in the United States and in other areas of the world where oil exploration is going to go on. In that sense, it is a very fundamental gamble, it is money put at risk.

I think you will find many instances in this machining or the spinoffs from big projects, whether it is in machinery or whether it is in casings, you would be surprised how small the market is, how few players there are and how many guys are taking a run at it. Algoma have to beat out US Steel and Bethlehem Steel for the US market. It is as simple as that, because they have to have a big piece of the US market to make that investment pay.

They are going ahead with what they have and they are fighting off Japanese competition in the Canadian west right now. They are going ahead and we are pleased to see it. But it is not as simple as you think it is. In many of those particular product niches, in machining, or in things that support resource extraction in terms of value added or backwards integration, there are a hell of a lot of guys and the number of people who buy the product is not that large. So you are in an industrial market.

This is not like consumer markets--if you have the best widget in town, somebody is going to buy your mousetrap. You may be only looking at 15 buyers who have very strong patterns of past relationships. You have to find your way into that market. I still think there are opportunities. I am just saying it is not as cut and dried, when you start looking at it and breaking it down into each item, as you might think it is.

Mr. G. Taylor: To follow that up then with one piece of logic that is put forward: we are the largest mining country in the world. We also import the--I beg your pardon?

Mr. Mackenzie: The third largest country, are we not?

Mr. G. Taylor: The third largest country then. We are way up at the top. Let us use that type of generalization. We also use way up in the list of mining machinery. Why then do we not have the capabilities to produce that mining machinery? If we did put that--or is it possible to put that mining machinery into place, the manufacturing of that mining machinery? Or does that follow the same theory you put before?

Mr. Allan: No, it is not. There are pieces--I am sure that we need to get an existing company or a consortium of new companies to take a look at that market. I am suggesting to you the market they must look at will probably run through a couple of cycles. They have to have the resources behind them to look at some fairly lean times because this is a cyclical industry.

They are up against some well known existing major international competition. Believe me, you will see it in steel, you will see it in boat building. In the heavy machining or engineering and capital goods industries, there are countries in the world who give away their product during the down-side. They effectively give it away.

We are looking at our pulp and paper program. We are working as hard as we can to get the maximum orders in Canada. We have put into those contracts a threshold minimum of 80 per cent. We are actively looking for Canadian companies to take subcontracts to build these things, despite all of those efforts. There is also a

series of orders all coming to bear at the same time. Canadian capacity right now is stretched to the limit and, against any particular opportunity Finnish, Swedish, German, American machinery builders are very aggressive price-cutters. They are extremely aggressive, particularly in Scandinavia where they have not sold for the last three or four years and they are having some problems. Some of those companies are state owned.

The competition you are going to face is pretty severe. As long as you go into it with your eyes open and know that, as you leave private companies to make the sourcing decision on quality, on price and on everything else, we should be able to parlay and get our share if we have a capacity here, and we do have some capacity.

I am concerned that somehow you take the simple thesis that we have iron ore or metals and that we can go through it backwards and make a business out of building the capital infrastructure to extract it. It is a lumpy business. There are huge projects and then nothing happens for 20 years. Where are you going to get your orders from during the 20 years? We had four years in this province when there was hardly any capital investment in Ontario mines, other than normal replacement.

3:40 p.m.

Where is that Canadian mining machinery company going to get the orders to survive? It has to export. It has to find business outside the country. That is the same position the other manufacturers who now exist find for themselves. So it is an aggressive business. We do run a surplus in particular types of machinery at particular times.

I think our own efforts in the pulp and paper industry, where we put a Canadian content rule in and are rigorously enforcing it as a condition of taking money from Ontario, has delivered a hell of a lot of orders to Canadian companies that they did not really expect. I will be frank: they also have taken them with great gratitude, but I have not seen an awful lot of good old entrepreneurial instinct to expand their facilities so they are better equipped to broaden those orders or to compete aggressively next round.

This may be part of the problem; that Canadians, even presented with opportunities, sometimes wait to get a sure thing rather than jumping in and taking a run at the world.

Mr. Turner: Can I have a supplementary? Is it not true, particularly in the milling operations, that there is a fairly high Canadian content in equipment?

Mr. Allan: If you look at the government of Canada's stats on many parts of the so-called machinery, we are running a surplus right now on balance of trade. We really are. We are exporting a hell of a lot of machinery.

People tend to think of machinery--you will see Korean, Chinese, and German lathes and that kind of equipment, which was

in traditional metal-bashing and machine shops. You will see a lot of those and it will be a long time, I suspect, before we build that kind of--you have to have a production run of 1,000 of those things. You turn out a lathe or a boring machine of X size and there are a lot of companies in the States and in Europe that are pretty good at it. But the kind of machining we do, in many senses, I think we are getting a fair piece of it.

Mr. Turner: Isn't it further true that it tends to be the larger companies who have the facilities to do this sort of thing that are enjoying that business, rather than the entrepreneur with the single line? It is a multiline type of manufacturing facility, I guess.

Mr. Allan: Yes. I agree with you. A larger company that is in that business has an opportunity to produce eight models and run at the world with them, or run and make marketing arrangements and then get a fair shot at it.

Everybody in the world is up against some very heavy competition from China. Machines from China earn foreign exchange and they may put a tremendous amount of labour into them; whereas we would run with computer controlled, designed type stuff. The most modern western world technology is to build machine tools which are highly automated in the design and so on. That is probably where our major opportunity lies, to get on the frontier part of the machine business rather than the traditional.

Mr. Eakins: Mr. Allan, you mentioned if an industry gets into trouble, you look very closely at it to see if it is viable. I wonder if you might comment on what is happening in the carpet industry in Canada.

I am particularly interested, of course, from the standpoint of the Armstrong Cork announcement in Lindsay. I was very much involved as the mayor at the time when Armstrong took over in 1966. For several years they had several quick expansions; they would announce one expansion before the last announcement really got open and under way.

It would seem that this industry has been quite busy, and even busy lately. What is happening in the carpet business generally in this country that there would be a problem?

Mr. Allan: I am not going to cop out on that question. I am going to tell you this, that I do not know a hell of a lot about--

Mr. Eakins: I might just say the day after the announcement we met with your people and I know there has been a lot of activity.

You have been referring to the mining industry. I am thinking of the carpet industry

Mr. Allan: I don't know a hell of a lot about--

Mr. Eakins: I might just say that the day after the

announcement we met with your people and I know there has been a lot of activity. You have been referring to the mining industry and I am thinking of the carpet industry generally in the country.

Mr. Allan: I am going to turn it over to Brock, but before I do I want to say this: As I understand that whole textile fabrics industry in Canada, as you know, Canadian commercial policy is the essential umbrella and we have a particular Canadian policy with quotas and so on, which has essentially put a foundation under our producers and allowed them to put capital at risk to expand and to get a better piece.

Generally, in the industry as a whole, in synthetic fabrics, in many of the areas, we are seeing some revival, particularly in the finished goods and the clothing parts of it. I attribute that to the particular Canadian commercial policy. That commercial policy comes up for review in March and there are many representations. Consumers have one view; the industry has another view; and so on.

That underpinning or that umbrella is essential in that we have any industry at all. In this kind of business the eastern, Asian producers and the new African producers and the South American producers can really kill us, because you can put the same sophisticated machine in Taiwan as you can in Lindsay, you can train the operator relatively quickly and he will turn out homogeneous, equal products.

It is just like television sets. Nobody knows where they are built any more. You get the same final product but you get it a lot cheaper.

So we have a national policy which gives us some protected, guaranteed stake in the Canadian market and we have some modest exports into the United States. In the carpet segment of that market we have a couple of fairly important players in Canada. I cannot speak for how that particular segment of the market is going. We will look at it for you. That is one we have not had a chance to look at: the Armstrong situation and the market situation.

I would have guessed that if housing starts are slowing down across the country, you would find that the success of the carpet business generally and housing starts are fairly closely related over time. I would be surprised if that segment of the textile market in total is not facing some shrinkage, a bit of a market endgame. There are several Canadian companies that are very strong players in the carpet business. So that is all I can tell you.

Mr. Eakins: My question was, is this happening across Canada?

Mr. Allan: What I am suggesting to you--and we will try and get back on the carpet segment with what is happening; we will get you some information on that--is that I would be very surprised if carpet sales per se are not stagnant or even declining. We have a number of players. In this kind of business the strong or the ones with the most financial resources or the

best product will tend to be the survivors.

So you have to look at any particular closedown against that general situation. If you have a flat or a slow-growing market and you have some aggressive competitors, somebody has to drop out because they all cannot make money. I do not know whether the US-owned operation also being in many other businesses has anything to do with it. We will check that out.

That is one of those we are looking at as a particular instance of a closedown. My guess now, and I am being purely hypothetical, is that market is going to show the collective market prospects available to a guy in the carpet business are not that overwhelming.

Mr. Eakins: Could you supply me with any information or figures that you might have on the industry generally? I would appreciate it.

Mr. Allan: Yes. We will do that.

Mr. O'Neil: Yesterday when we had the Minister of Labour before us there was some questioning about when you have a plant closing within the province and certain product lines. Do you do any in-depth study or look into whether it is a case that they have had similar layoffs or similar financial problems, say, if they are from the States or from England; anything along that line?

Mr. Allan: Yes, I want Brock to answer that. But I can tell you this. We have looked very closely in the automobile lines--

Mr. Van Horne: Pretty soon we are going to hear from Brock.

Mr. B. Smith: Wait until he tells you what the answer is first.

3:50 p.m.

Mr. Allan: We are concerned about several major sectors: automobiles, automobile parts, tires, rubber products and so on, because we see a shrinkage, we see the global market in North America reducing; and we know that there are going to be fundamental rationalizations because of that. So we have looked very carefully at what has happened in Ontario in terms of automobile closedowns vis-a-vis United States jurisdictions, and the total United States jurisdictions.

I am persuaded that we are not getting the short end of the stick; far from it. We are not getting any more than a proportionate share of the North American rationalization. Some jurisdictions in the United States--Indiana, Michigan, Pennsylvania and our neighbours in Buffalo--are taking a bath in relation to what is happening to us.

Our philosophical and fundamental position is that we should not take as much of a hit because our plants are newer, we think

we have put it together fairly successfully; and the guys have reason to be here and to outsurvive some of those older plants in the United States.

Now, that is tough to say, but we are confident that we should have a lot of those initial hits happening in the United States before the compression starts to affect our guys. We think that that has happened. I will let Brock go through it because he knows these in detail.

Mr. B. Smith: Yes, that's right, state by state.

Looking at the situation in Ontario, I have tried to draw that comparison. In some cases, like auto parts or auto assembly, there is information fairly readily available. We go through companies or through the unions involved. When you get into broader sectors and you try to look at the entire continental United States, there is no comparable source of data available.

However, we have initiated a project within the limits of our own resources to try to find out what information is available. We should have that--I wouldn't hold my breath for how good the information will be, but when we have it pulled together we can make it available to the committee.

Mr. O'Neil: Would you be looking at only the auto industry or do you look at all other--

Mr. B. Smith: No, we are looking at layoffs in manufacturing.

Mr. O'Neil: And a comparison, say, with Ontario to the closeup applying here dealing with the carpet industry or something like that; you are looking at those same industries in the States, their financial problems, their layoffs, and things along this line?

Mr. B. Smith: Sector by sector, we really have only looked at the auto industry per se. What we are trying to get a handle on is the entire situation in manufacturing layoffs in the US. We are trying to start there and just get some raw, rough-and-ready numbers that we think we are roughly comparable to the overall numbers we have in Ontario.

Then the next step is to work through those sector by sector. I cannot promise 20 sectors in Ontario and 20 sectors in the US because we still do not know how much information we can get from that study. Whatever information we can get by sector we will make available.

Mr. O'Neil: How long would it be before this information would be available?

Mr. B. Smith: A couple of weeks.

Mr. Chairman: Mr. Allan, when you learn about an imminent closure, either directly or, as seems most likely from what I am hearing, through the Ministry of Labour and you have

almost as a first response, I guess it is a function of your ministry and your makeup, a determination to try to keep that viable if you can--you look for buyers, entrepreneurs; you look at their product and the market and so forth--

Mr. Allan: We check whether the market and the basic facts are as presented by the company. That is the first thing we do. We just get our own response: "Hey, does that sound right? Do we see some things that verify, yes, that is the situation?" When we are satisfied that is happening, then we go to work.

Mr. Chairman: Okay, you are satisfied and now you go to work. One of the first calls must be to look for capital.

Mr. Allan: Not necessarily.

Mr. Chairman: Have you ever had to call a bank?

Mr. Allan: We have our own bank.

Mr. Chairman: The employment development fund.

Mr. Allan: Yes, we have a couple of banks. But if we see something that we think can make money and there is a product viability--

Mr. Chairman: What is your own bank?

Mr. Allan: The Ontario Development Corporation. I call it a bank.

Mr. O'Neil: With that kind of money, you are tighter than hell with that, I will tell you. It is like trying to squeeze it out of a-- Sorry for butting in, Mr. Chairman, but in that area, you are not only tight with it, you only want to give it to the really big firms and some of the smaller businesses--

Mr. Renwick: No, that sounds political there; come on.

Mr. O'Neil: It is my experience, and I say that with all sincerity, that in my requests to the development corporation, it is very hard to get it out for very small firms. They just don't seem to want to take a look at them.

Mr. Allan: I think the annual report is available, but as I recollect the activities of this past year, there is something approaching 500 small firms in Ontario. In this calendar year, something approaching 500 smaller size firms have had direct financial assistance from the Ontario Development Corporation.

Mr. O'Neil: Then I want to ask what is your classification of a small firm?

Mr. Allan: Let's put it this way. If it's less than \$100,000 of assistance, or financing, it is not a big deal. It is not likely to be one of these big firms that you talk about.

Mr. O'Neil: That may sound political, but that's my

experience over the last five years with dealing with the ODC.

Mr. Chairman: Mr. Allan, you then have your own bank or banks, ODC, their offshoots, and EDF you would consider too. But seriously, and there is nothing sinister in my question here, have you ever, as Assistant Deputy Minister of Industry and Tourism, had occasion to speak to a bank, a real bank, a bank in the sense of the word in Canadian chartered bank, to see if they can play a role in the situation that meets those characteristics?

It has a viable product, a real market, entrepreneurs are there, but the capital part of the equation is missing. Have you every seriously phoned them--and I just want to know what their general response has been. I don't want anybody to be embarrassed. I don't want a specific illustration.

Mr. Allan: Yes, I have phoned a number of times and the situation usually is--

Mr. Chairman: Do they phone back?

Mr. Allan: Listen, we have phoned and we are prepared to take a guarantee position or to make that evaluation. If we make an evaluation, if we think it's a good risk, or a risk that is worth taking, the first thing we do is deal with his own banker, because he usually has a line of credit. And the more normal circumstance is that he has got to the limit of that line of credit and he needs another six months, maybe, to ride out a situation. I guess our position as advocate obviously is, to try to persuade the bank to sweeten that line of credit, or to go with us against that prospect.

Mr. Chairman: Have you been successful often?

Mr. Allan: In dealing with banks I guess our role--and sometimes we do have a more hands-on, detailed look at the company than the bank does because of its many customers and its basic formula approaches to credit--we have had some modest success.

Mr. Chairman: I understand the traditional role of the banks--and I am curious. Again, I don't want anybody to be embarrassed, but have you ever talked to your former boss who now is, among other things, a director of a Canadian chartered bank about this sort of thing, the bank's traditional responsibilities in what you perceive as a new game?

Mr. Allan: Again, in this business, relationships are more important than philosophy. And I agree with you; if you call Percy McKeough and say, "Come on, you're a director of the Commerce, get these guys to take a better shot at it," that is one way of going about it. I don't rule it out, frankly. Or dealing with any of the banks.

What we try to do, certainly in any calls that I have made, or Mr. Tully has made, or Mr. Wilson has made that I know about, is try to hook them in there as long as we can with their money. We are entrepreneurs as well, and we don't want to come back to the estimates committee, or whatever, and say we are using public

funds, if the private sector can do the job.

So that is part of our mandate, to put the fewest dollars out to get the maximum impact. And the best way to do that is to hook the Federal Business Development Bank. Now we do have a fair degree of success in involving the FBDB and involving some of the chartered banks, but they have a commercial norm of profit position, and a risk position to look at as well. I would put it this way, I am not saying they are conservative in the small "c" sense, I would say that we are kind of new on the scene in this regrouping, reassembling. Let us try to keep it going.

They have to look at normal credit type operations. Has he paid his bills? What are his receivables? They look at those kinds of considerations against their stake in it. And I don't fault them for that. We tend to look more at the development aspect of it rather than the credit aspect. And those are not necessarily the same things.

4 p.m.

Mr. Chairman: I understand. You don't detect any change in the banks, as a group attitude, to suggest that they are aware of this jurisdictional shopping that is accelerating, from what we have discussed. You don't see a change in their attitude, making them more development oriented rather than credit oriented.

Mr. Allan: There is more institutional equity and risk taking going on in Canada than there was five years ago. Some of it is from the banks, some of it is from entrepreneurs or group pension funds and so on, looking for opportunities.

But those guys are not--except reluctantly, I would think--brought in to bear to say: "Here is a particular situation. An injection of capital can take it through this hump and then it will grow." They tend to be more interested in: "Here's a new product and here is something that has an exciting prospect. Let's get in at the front end, ride with it for whatever time it takes to make the big winner out of it."

Mr. Chairman: My last question, on this business where someone is about to make a decision; it is not a shopping call that they have made to you. Has anybody ever said to you that the existing labour legislation in Ontario, which in the last few days we have been informed is pretty progressive--we will get back to how progressive in the days ahead of us--has anybody ever said that the existing labour legislation in this jurisdiction precluded them from locating here?

Mr. Allan: I would not say they have put it in those terms. I will put it this way, that nobody ever really looks at what you have as a base. They only look at the last change that you made or the most visible thing that has happened. Because it is all assumed into the background.

This jurisdiction has a reputation for being solid, stable, enlightened and a place to make money, and everybody gets a piece

of the action. That's not political. But when you make a change in that, it causes a tension.

Nobody looks at Ontario particularly, until you do something. When you do something, people tend to perk up their ears and notice it, and then make the comparisons. And at this point--I think the minister went through it this morning--it's the balance that we are concerned about. We certainly have had some very straightforward feedback post the Westinghouse decision.

Mr. Chairman: I think that is well put. If we can't preserve it, conserve it, who can? Mr. Allan, thank you very much, Brock and Harriet.

Mr. O'Neil: I would like to ask--because I feel it is not only having to deal with plant closings, but it is creating more jobs and so on. I am just wondering, when you talk about the Eastern Ontario Development Corporation and things like that, have you had any changes in policy over the last year or so? Or are you looking at any new areas?

You are saying that maybe we are not the same type of gamblers as are people from the States. Are you reassessing some of these development corporations to see whether or not you should be expanding more along the lines of the area of small businesses?

Mr. Allan: Let me tell you this. The business of our ministry, or the instruments that we use, is up about 75 per cent year over year. Now part of the reason for that obviously is that we have some problems, and we tend to move in more aggressively when there is a credit crunch and there are high interest rates, and some guys are facing that. That is part of the reason. Our business is way up through the development corporation, what we are doing ourselves.

In terms of fundamental policy we are entrepreneurial in a development sense, and we have some very basic objectives which have to do with creating jobs, having a healthy investment climate, and some growth. And to the extent that the province can play a direct role with financing, or any other way, that is our mandate, to create more jobs and diversify and to be in the front end of technology, not kind of propping things up. We are not greatly interested in propping up things. It's an irresistible, but (inaudible). We are more interested in replacing that with new opportunities. If that is a philosophical policy change, that, in essence, is the mandate of our ministry.

Mr. O'Neil: And what is it you are feeling then? That there are certain levels below which you should not go when you are talking about businesses of certain sizes, that it should go to the federal people for financing, or to a bank?

Mr. Allan: No.

Mr. O'Neil: So you don't really set any levels?

Mr. Allan: We tend to be more activist with small Canadian and high technology companies, to be very frank. That is

because there are more of them out there, or there are more that we are interested in. And they don't have the same resource base or batting record or credit accessibility.

But other than that, we look at the whole spectrum. And certainly we don't want to see an opportunity lost just because nobody else could fit it into a niche. If there is a role we try to be a catalyst. And if we can get bank money in there as a result of our advocacy we are very pleased, because that is the most effective way that we can operate; not to spend any money at all. We go and twist a few arms.

Mr. O'Neil: As I say, as a member, it appears to me sometimes when people come for help--now in some cases those people cannot be helped--it is just as if we get a feeling from somebody's office or when the people have come back to us for assistance, that because they are below a certain size or maybe because of the number of people they are going to employ or the amount of money that they are looking for, that you people cannot be bothered with them.

And I say that sincerely. I really sense that.

Mr. Allan: Are they tourist operators?

Mr. O'Neil: No. Well, I have had the odd tourist operator, but these are people in manufacturing looking for expansion or something new. It just seems to be the feeling that unless it is a certain amount of money, or number of employees, you would just as soon they went some place else.

Mr. Allan: I, personally, deal with some very small companies and Mr. Tully and his corporation deal with small companies as a matter of course. I think that in the ministry we will have a kind of score card. I would suggest probably that our loss rate--if you want to talk about taking risks or whether we are being more venturesome, I think that you will find that we are in there stroking, and we are probably going to take some more losses than we used to take. If that is a measure of what a development bank does, you will see those results. You may say, double it again, but philosophically, we are really not in the business of holding hands when there isn't a marriage in prospect. If a guy can't make any money down the line and it's a hopeless cause, it really does not do a hell of a lot of good to keep him in business another three months. It really does not.

Mr. Eakins: Do you tell them that or do you send them to FBDB or someone else?

Mr. Allan: You can always make a mistake. In a judgement call, somebody else may see something that we miss. More often they come to us after they have gone to everybody else. Sometimes we take a shot with them. Sometimes we don't. And some of those decisions may be faulted.

I'm not arguing about it, I'm saying that if you look at it standing back from it, we are probably taking more risks, we are probably jumping in and participating more than we ever did a year

ago. And certainly, smaller companies are the predominant customer.

Mr. Chairman: Thanks, Mr. O'Neil. Mr. Allan, you have been extremely helpful, and again, under the short notice, it is doubly appreciated. We could clearly go on for a long time but I think the point was made earlier today; you know our people here, Rick Jennings and Graham White.

Mr. Allan: Have we got their phone numbers?

Mr. Eakins: Can I ask a yes or no answer?

Mr. Renwick: Oh no, we have a lot to do, John.

Mr. Eakins: I just wanted to ask if the 500 small business people he mentioned are listed in the ODC brochure which we get.

Mr. Allan: There is a new annual report. It's just coming out and again, I suppose we can list-- It is a little bit like the publication the minister put out which shows the investments, the up-side that we see happening out there.

Because frankly, we are not nearly as pessimistic as a lot of people. We see a lot more of what's happening. We are collecting the information and I presume it will be available in some period in the future, where there isn't a confidentiality thing involved, where we are not breaching any trust. That will be available. Mr. Tully will certainly be breaking down all of those commercial dealings with Ontario companies in whatever way you want it.

Mr. Chairman: Thanks again very much, Duncan, Brock and Harriet. On behalf of the committee, we appreciate that and we will be hearing from you, probably through our staff, in the next few weeks. Thanks very much.

4:10 p.m.

I would ask the committee to turn just briefly to the summary provided by Graham of the discussion at breakfast this morning. Any discussion on the matters before us we would require, I think in fairness, some motions dealing with the substantive issues about when we sit, et cetera. But I think the page summary provided by Mr. White is quite clear with regard to the sitting times. That is the first matter on the sheet. Let us just take the four or five items.

The first portion, "Your committee recommends that the chairman be directed to approach the House leaders with the following timetable for committee meetings: Monday afternoon, Tuesday afternoon and evening, Wednesday morning and Wednesday afternoon."

I think, in fairness, if there is discussion we should have it in a motion if it is appropriate, because we want to have the subcommittee serve as a timesaving device and there was some fairly lengthy discussion, actually, this morning on all of these

matters. Any comments, or could we have a motion that that is acceptable?

Mr. Renwick moves that the recommendation be accepted.

Motion agreed to.

Mr. Chairman: The next sentence deals with next week only, that we sit Thursday afternoon.

Let me do it this way. Tomorrow, following routine proceedings, the Treasurer (Mr. F.S. Miller) can be with us with some of his staff. I thought I might have by now a list of which of his senior staff would be here but we will get our little notice tomorrow. "Please tell your committee colleagues that following routine proceedings tomorrow afternoon, and not to go beyond six, we will have our last of the start-up meetings."

That is tomorrow. This item deals with next Thursday, a week tomorrow. That is a peculiar week because we do not come back here Monday and Tuesday.

Mr. Renwick: We sit on Wednesday, I presume.

Mr. Chairman: That is correct.

It is further recommended that for next week only, the committee sit on Thursday afternoon.

Motion agreed to.

Mr. Chairman: Advertising is next, I think that is self-explanatory.

We were talking about tomorrow, Thursday. Normally we will not sit Thursday, in what we have just agreed to, but next week is not a normal week.

Mr. O'Neil: Next week we sit what days?

Mr. Chairman: Next week we sit Wednesday morning and afternoon and Thursday afternoon.

Mr. G. Taylor: That is not what your document says. Oh, I understand now what it says.

Mr. Chairman: Yes, your committee further recommends that for next week only the committee sit on Thursday afternoon.

Mr. Van Horne: In addition to the normal sittings.

Mr. Chairman: Exactly. Is there any discussion about advertising? I think the point is expressed very succinctly. We had ruled out advertising but not ruled it out for public submissions, but felt we were going to be under the gun to get our interim report in, under the gun in inviting those we would like to have before us in the few weeks ahead of us. Is that agreed?

Your committee recommends that no decision be taken as to advertising for public submissions until after the committee's interim report has been tabled.

Motion agreed to.

Mr. Chairman: The next item deals with an invitation basis, then.

Your committee also recommends that until the interim report is completed, the committee hear from witnesses only on an invitation basis, and that such invitations be extended primarily to representatives of labour and management at plants which have experienced shutdowns or layoffs, so that the committee would concentrate on a case study approach to its mandate.

Mr. G. Taylor: I would like to make a comment on the fact that you are going to call it a case study and use those who have experienced shutdowns or layoffs. I only make the comment, and of course it has been put forward by the steering committee, that it is an odd way to study a problem in that you are studying what I would call the control group.

We do not have any of the normal existing ones that we are going to look at and I would think in any empirical study you would have to deal with three groups: those that have been subjected to the disease; those that have not been subjected to the disease and why have they not been; and maybe a placebo group. But here you are only going to study those who have got the disease, which makes our interim report, so-called, maybe subject to criticism in that it is only studying half the problem and you are offering solutions to a half, a quarter or whatever percentage of the problem we are looking at.

I offer that as a comment to the route we are going in a great rush to get out in a very short time an interim report.

I put that out for comment. I do not know what was considered during your steering committee.

Mr. Chairman: That is good observation. I do not know how much time we want to spend on discussion. "Primarily"--I do not want to say that is the operative word--"that such invitations be extended primarily to representatives of labour and management at plants which have experienced shutdowns," et cetera.

We did not rule out any other witnesses. We did not rule out expert witnesses, we did not rule out those groups like the Canadian Manufacturers Association, Ontario Federation of Labour, small business and others that have already begun to communicate to us as committee members and to the clerk, to indicate a desire to make a submission. We have not ruled them out, but in an attempt to just address if not all, at least a goodly portion of our timetable, it is our hope, and it was discussed this morning, that we would have some time between now and the tabling of our interim report to hear from other groups, to specifically invite other groups that do not fit in that explained category there.

It was discussed this morning. I am not sure if that is an adequate explanation. Does anybody else who was there this morning have any comments, or are there any other comments on that point? It is an important point. It says a lot about what the hell we are going to do for five or six weeks. It says a hell of a lot about how we are going to operate. It is a key point in that sense.

Mr. Renwick: The problem, Mr. Taylor, is a relatively simple one. In the time compression framework in which we are operating we are going to have the equivalent of about 12 days of about five hours a day, give or take a few hours; so we get about 60 hours.

It seemed to us to be of the essence of our problems, since it is a matter of high priority for the assembly that we deal with particular instances of plant shutdowns and layoffs, to get a sense of what the problem is, the nature and the extent of the problem. In order to do that we would study, by hearing evidence from both sides in situations of layoffs and closures, some typical instances of those so that we would have that information. It was, as the chairman said, nothing to exclude what the committee does afterwards, but you have got to start somewhere and it seemed to us to be a sensible way to start into the problem.

Mr. Mackenzie: It seems to me also, given the time frame, that it makes a hell of a lot of sense to deal with those on both sides who are directly involved initially. It certainly does not stop us from going beyond that, because the minute that we open it up to the general umbrella organizations we are going to have very general presentations. I would like first to find out what those who are involved and had to make the decisions at a corporate level or those who are suffering as a result of the plant closure have to say. I think it opens up the questions you can ask the general groups.

Mr. G. Taylor: I am just putting forth my comment at this time. I am sure the steering committee has gone into it. However, it is, as I say, subject to criticism at some later date that we only looked at the one side of a very difficult and extensive problem.

Mr. Chairman: Mr. Ramsay, any comment on that? You were there this morning.

Mr. Ramsay: I am sorry, I was called to the phone.

Mr. Chairman: Just on the structuring of our next five or six weeks and the invitations which would primarily be directed to representatives of those union and employer people who have just been faced with a shutdown. Mr. Taylor raised the question about whether we are getting a fair sampling of view there and that is what we were discussing.

Mr. Ramsay: Mr. Chairman, I share Mr. Taylor's concerns. I put down a few names here that I think might give us a little more balance, and I use that expression with the greatest respect. I know what we are trying to do and I know that it is absolutely important that we have these case histories and look at both the

employer's and the employee's side of things, but I would like to see us go a little further. I am prepared at any time to submit some names as possibilities of people who could be called as witnesses.

4:20 p.m.

Mr. Chairman: On that point, one thing to finalize our days, which we have done, and to suggest that primarily we are going to start off with groups as indicated there, labour and management at plants which have experienced shutdowns or layoffs. As to what plants, that will be part of--I want this to be clear--it is my understanding that would be part of a committee discussion, perhaps even tomorrow. Am I correct in assuming that?

Mr. Renwick: I am not sure what you are saying, Mr. Chairman.

Mr. G. Taylor: What case studies? Decided by the committee or the steering committee?

Mr. Renwick: The suggestion, if I could just pick up, the topical, current one which seems to me to reflect the kind of problem we wanted to look into is the Armstrong Cork Industries Limited, the Lindsay company. It was touched upon this morning in the committee where I indicated that, in order that we could get into it next week and give the maximum amount of time of notice to the people whom we want to call, we should decide for the one instance today so the clerk could go ahead and invite them.

Then tomorrow, following along our discussion at breakfast, I have a list--not a list that can be circulated--of about 14 or 15 companies which are illustrative, in my view, and from which, with other names added on to it or in other ways, we could select the other companies and various organizations that want to come before us so we could develop an agenda.

The original suggestion was basically the Armstrong one, because it does appear to be illustrative of a number of the problems involved. Again, with the sense of urgency which you probably sense that I have, which is shared by others--for example the president of the company, Mr. Fletcher, is in Montreal; we have the address for that. We have the address of the plant manager; we have the address of the other company officer, Mr. Johnston.

The union people we thought should be invited are Mr. Clark, the codirector of Amalgamated Clothing and Textile Workers, the research director of that union and the vice-president of the local in Lindsay. From our discussions, the union would like to bring one or two people who would be illustrative of the kind of hardship which is suffered by them. The immediate question, I felt, was to see if we could get a decision so the court could notify these people so that they could come for Wednesday afternoon and Thursday afternoon next week.

Mr. O'Neil: Your people have already contacted them to tell them this is going on and that they would be asked?

Mr. Renwick: No, we have not contacted them, no. This is an example, this is the first instance, and what I did was simply get out of Macleans industrial index, or whatever it is, the exact name of the company, the name of the president, the name of the plant manager and the name of the personnel manager.

Mr. O'Neil: But you have already talked to the union people who are agreeable to coming?

Mr. Renwick: No. As I explained this morning, I went to a meeting of about 35 or 40 of the union leadership in the province the other day and one of the instances which was very topical, as you know in the press, was the Armstrong Cork problem.

In order to facilitate the work of the committee, I have the name of Mr. Clark, who is the codirector of Amalgamated Clothing and Textile Workers, and the name of the research director of that union and the name of the vice-president of the local there.

The union has indicated that they would like to bring one or two other people. We have not made any firm appointments or anything, we had no authority to. It was my wish simply to get the matter going and to be helpful to the committee.

Mr. G. Taylor: Mr. Chairman, on that particular suggestion by Mr. Renwick, I guess I have an innate reluctance and speak with very little information, except that I notice in my most recently distributed Hansard, which is the October 30 edition, fresh off the press as it arrives to us, Mr. Cassidy asks a question of the Minister of Labour and the reply in there is that there are presently ongoing negotiations concerning Armstrong Cork and its closings.

In addition, there were some comments this afternoon between Mr. Eakins and the representative of the ministry.

I do not have enough detail, but I have this fear: Are we getting into a situation that is presently ongoing? I do not want our people on this committee to be intervening in such a way as to be detrimental to that community, to those workers, and to the people trying to bring about the best solution to that particular problem.

I raise that only because I lack sufficient information. But, as I say, knowing the propensities of how committees work and individuals on those committees--

Mr. Chairman: And subcommittees.

Mr. G. Taylor: --we might do something that we may regret as a committee and as individuals at this time, as compared to the other ones on which we have statistical information and we can ask about their present problems. That is my only reluctance presently.

Mr. Chairman: Can I respond to that? The observations of Mr. Taylor and Mr. O'Neil are important. I say this because we were together at the subcommittee meeting and I know that other

members of the committee have said that in some experience, subcommittees have gone a hell of a lot further down the road to finalize a full committee's deliberations than they had expected would be the case.

But given the time frame of the committee and the sense of urgency in the minds of everybody on the committee, as I detected--and I want to be clear on this--I understand that there are a number of people on hold, as it were. Mr. Ramsay has indicated he has some and others do. Graham has some as does Mr. Renwick and some of his colleagues.

I think this has to be clear. There will be no finalizing the agenda as to who appears and in what order without the committee's full deliberation on that. I think it is important that that be understood.

Mr. Renwick: I hope that was understood.

Mr. Chairman: I am not sure it was, but I just wanted Mr. Taylor and Mr. O'Neil to understand that. The subcommittee saw their efforts this morning as a timesaving device; how we cope with the next five weeks, and what days within those five weeks we would sit was discussed. The point was made that a case study way of approaching it would give some sharp focus to the immediacy of the concerns and the problems, and the hurt that we have talked about.

We have not ruled out other submissions which would do two things: give balance to that--to use that word again--and provide an overview. We did not rule that out.

This whole committee, with the benefit of what we discussed this morning, would, we would hope, tomorrow be able to agree as to whom we would invite for Wednesday next and Thursday afternoon next week and maybe tentatively agree to some invitations for the week following. That is clearly where I understand we were. I think the concerns are noted and important, but I do not think that there was ever an intention at the subcommittee level to go beyond just that.

If that speaks to the concerns, can we move on?

Mr. O'Neil: I have one point. I would ask if Mr. Eakins could come back because he was substituting for Mr. Mancini, and I wondered if you might want to look into this particular case, to get any background from John on that, because that is in his riding. He will be down in a few minutes and can give his feelings on that.

The fears that Mr. Taylor expressed--whether it might end up as being detrimental to the workers or some type of solution being arrived at to put them back to work--I do not know. I see a shaking of heads over there. Maybe you know something that we do not.

Mr. Renwick: I have no problem about that. I was just hoping that we would be able to instruct the clerk today to go

ahead and so give the maximum amount of notice for next Wednesday afternoon and Thursday. But if we have to wait until tomorrow, that's fine.

The last thing I want to create is any suggestion that we are trying to do other than to order the affairs of the committee; that was all.

4:30 p.m.

Mr. O'Neil: I understand that.

Mr. Renwick: Yes, because you were there and others were there.

What I would like to do is to give to the clerk of the committee the list of companies I have. All of the names are public knowledge: SKF Manufacturing, Outboard Marine, Westinghouse, Steep Rock Mines, Caland Ore, Winchester at Cobourg, Bendix Automotive, Pedlar Castings, Essex Wire, Houdaille, Armstrong Cork, Rockwell International of Canada, Beach Foundry and Tung-Sol.

Out of those and any other names that any members want to add to the list, we would select the seven or eight typical ones, work out the agenda and do it.

If there is a problem along the lines that Mr. Taylor has raised about Armstrong Cork, an inquiry by the chairman can ascertain whether that is so; and that's fine. I had understood, or I would not have put it forward, that for practical purposes the undertaking was half completed.

Mr. O'Neil: Mr. Eakins is just arriving, Mr. Chairman.

We were discussing, John, if that particular problem in Lindsay were discussed, whether there would be any detriment to the community. Maybe Mr. Mackenzie wanted to say a word on whether there might be any detriment caused to the community or to the workers if we were to discuss that case, say, next week.

Mr. Renwick: I would assume that if the chairman were to call the president of the company in Montreal and also the chief officer of the union about the question, he would learn very damned quickly whether or not it was appropriate that they come before us.

Mr. Mackenzie: Notice in this particular case was given in July. The manpower adjustment committee is already in place. The workers are finished. I don't know if there are any left on November 7. To all effects and purposes it is finished. As I said, the manpower adjustment committee is already in place.

Mr. Eakins: I think probably within another week severance will have taken place. There are some negotiations. I spoke with the industrial commissioner, who feels there is still some active negotiation as far as the operation of the plant is

concerned. I do not know just how deep it is, but there are some people who are looking at it at this stage. I think that is what the committee would have to weigh there.

I have no objection in calling the president and the union people, as Mr. Renwick has suggested, to see how they feel about it, but I think we have to weigh whether there would be any problem with the negotiations which are under way with the industrial commission and the ministry people at the present time. From that standpoint I could find out very quickly just what is happening.

Mr. Chairman: My concern is twofold. The corporate or other people we contact to tell them about our timing and invite them is one concern.

We are going to have a long time together and we have some important work ahead of us. I simply do not want us starting off with anybody on our committee thinking that there is something sinister here--"their witnesses, our witnesses." In that instance, I would like to ask that we wait until tomorrow. Following routine proceedings, maybe before we begin with the Treasurer, we could proceed. We would have 24 hours to talk to our colleagues about it. I think that is an important way to start.

If we have this attitude of--let's face it; people get tired around this place between now and the end of the December--"those are their witnesses; we didn't get ours," then I think we should wrap it up. I do not think that that is the tone of what we are getting at, but I think the points have been well made. Let's use the next 20 or so hours to talk to our other colleagues about it.

Be prepared to give Graham some assistance. Other lists of suggested witnesses should go to Graham between now and tomorrow afternoon. Let's try to get the next two weeks under way.

Mr. Van Horne: I am not suggesting that we get too academic, but I made reference to the university study of Kelvinator. Last evening I talked with the dean of the business school and he offered to drop the case off at my house so I could let the staff look at it. There may be some routines that they followed, some topics they hit on or some methods that they used which would be useful or helpful to us.

There is one that is sort of hand done. Maybe before we go too far down the line, we should at least take a look at the methods that they used and see if that would be of assistance to us as a committee.

The dean tells me there is expertise in that faculty. I do not think we should hesitate to call on them too, as people who are directly involved. Some of these fellows do consulting work in addition to their teaching assignments and could possibly be of some assistance to us.

Mr. Chairman: Yes, that's a good point.

Mr. O'Neil: If we sit next Wednesday morning and

afternoon and Thursday afternoon, and were to take one particular case study, is that going to be sufficient to keep us busy? Or will we be having that short film?

Mr. Chairman: Yes.

Mr. O'Neil: But is that going to be sufficient to take in three sessions? Were you scheduling something else?

Mr. Chairman: It would be two sessions; Wednesday afternoon and Thursday afternoon. I thought it would be sufficient, but we could see a specific--

Mr. Van Horne: Did we not agree that Wednesday morning there would be a later start with the film, given that there some guys from out of town who take three or four hours to drive here?

Mr. Chairman: Yes.

Mr. Ramsay: Just a very quick observation. I know what you are trying to do, Mr. Chairman, and I respect you for it. You are trying to be very democratic and you are attempting to let the committee make all the decisions.

With respect, I think perhaps you should be indicating to us a few suggestions of how you would like the agendas to be lined up and let us say we like it or we do not like it. I think if you continue to adopt the policy--which is commendable, I say again--of letting us make these decisions, we are going to have a great deal of difficulty in making them.

Mr. Chairman: I have no hesitation in quickly sharing with the committee how I perceive it. I think that there are at least three ways we could go ahead. To advertise or respond to phone calls and requests for people to appear is a simple one; that's a passive role for us. There is no question in my mind that we would have an ample number of people before us representing a variety of concerns in this broad area; there is no question about that in my mind.

The next is to fill in our timetable throughout with those we wish to have before us. I think we have attempted to do just that, as I understood the discussion we had this morning for a couple of hours; that is, to invite some specific case examples, both employer and employee representatives from any dozen that, unfortunately, we could all name. That is why there is such a committee; everybody could name a dozen.

There is an immediacy about that, which gives some sense to what the last three days have been about. I never did see that as the only lineup of witnesses between now and our interim report, because I do think that there will be time, in however many hours there are, to have those other submissions of a broader nature from the more structured kinds of organizations like the Ontario Federation of Labour, the Canadian Manufacturers' Association--we could all go on and on.

My thinking is also very much determined by the fact that I

do not see December as being in any way a major turning point, apart from the need to get a report back to our colleagues in the assembly. I do not think any decisions made in the short term preclude hearing from all of the other types of submissions that are out there.

Those are my own views. As a member of the committee, my major concern is that I do not want us to start off with this, "Christ, that's their witness," and "Damn it, we didn't get our witness." That's a most unconstructive way to begin this thing.

Mr. Mackenzie: I would hope that in any of these we have both sides there, the company as well as the employees involved; and where they have a representative, we are going to get that. I could very quickly file 15 or 20 specific suggestions.

4:40 p.m.

I have stayed out of it because I thought that was the purpose of the steering committee. I thought they had come up with one or two good ideas, including the fact that we get some of the case studies of what has happened to the people before we get into the more formally structured presentations by the Ontario Federation of Labour or the Canadian Manufacturers' Association or some of the other big organizations. That does not mean they cannot come on before then, but I thought it would be useful to deal with those directly involved, and for that reason I agreed when I saw, from Jim, the recommendations you have made.

If you want to open it up to people making recommendations, there are dozens we can give you. I can, without even discussing it with my colleagues, which I have not done.

Mr. G. Taylor: Where we are now, it seems it is off until tomorrow. May I, then, get on to another topic that I might refer to staff to--

Mr. Chairman: I am not sure what is actually being put off, other than I don't want Graham, right now, to send out 15 letters. I am asking for 20 hours--

Mr. G. Taylor: That's right. I thought you were going to make a decision tomorrow.

Mr. Renwick: That was the point I wanted to clarify. I hear what you are saying. I am agreeing with what the chairman is saying, which I thought was that we could select one, and make the decision today on the Armstrong one.

Because of the point which Mr. Taylor raised and because of John Eakins' concern about it and so on, I withdrew that suggestion, if I have to put it formally, and simply gave the 15-odd names to the clerk of the committee.

I have reserved the right of anybody else to add other names to it, so that tomorrow we could select from among them which ones we want. We can't see 15, but we can see seven or eight which are selected by the committee as typical of particular kinds of

problems in the area. Then we can get on with establishing for next week.

My only other comment about next week is that obviously the very first one is going to be very much of a test case for the committee, an initial example. I would hate to crowd the schedule.

We are going to see the movie late on Wednesday morning. It seems to me that Wednesday afternoon and Thursday afternoon is not too long to consider just the one case, to focus our attention on it and to treat it as a learning experience for what we are about.

Those were my only thoughts. I have no problem about this week.

Mr. G. Taylor: That was my understanding as well. I just want to get into another area, and give our staff an opportunity to get these.

We have a pile of reading material available and I don't want to burden us with more, but from numerous newspaper clippings I see that there are some very fundamental documents that I think the committee members should have available to them. I leave it to our staff to obtain those. Some of them may already be in the possession of individuals, and Mr. Van Horne mentioned he has already asked for the A. W. R. Carrothers commission report on redundancies and layoffs, and we can have sufficient copies made. Another I see here is one done by the Metropolitan Toronto Social Planning Council on the consequences of layoffs.

Mr. Chairman: Maybe we should just throw it all in the hopper, because even in the next--

Mr. G. Taylor: And then the Canadian United Auto Workers presented a brief to the Ontario government, the Automobile Business in Crisis.

Mr. Chairman: I want the record to show that Mr. Russ Ramsay was at the subcommittee meeting this morning, but he was not there for the 30 minutes when a portion of this was discussed. We had good representation from the committee, with Mr. Mancini, Mr. Van Horne, Mr. O'Neil, Mr. Renwick, Rick Jennings, myself and Graham White.

Mr. O'Neil: I have one other matter too--

Mr. Chairman: In the interest of time--some people are scooting away--Rick has prepared a summary on the pension commission, which he would like to distribute.

Mr. O'Neil: Mr. Chairman, it was mentioned that we had planned on meeting for dinner next Thursday evening.

Mr. Chairman: Yes. There's a problem with caucus, I understand.

Mr. O'Neil: Yes.

Mr. Chairman: We will try to do that. We want to have another opportunity for dinner as soon as possible. It is just an opportunity for Mr. Jennings to get to know more of us, and Graham, although he knows most of us.

The last two points deal simply with the matter of counsel. I think it is self-explanatory. We were unable to reach a decision; it is something we would like to come back to. Others may wish to comment on that tomorrow, and with regard to time, the perennial challenge before any committee, I think that statement says it all: "The committee considered the advisability of imposing time limits on members questioning."

I am very reluctant to do that. We were unable to reach a conclusion, except to recommend that each caucus attempt to impose a certain discipline on its members. There is nothing new in that. It comes up with every committee. It's a frustration for every person on any committee, particularly so when we have people from outside this building come here to teach us something. So I am not going to speak further on that unless there is a comment on it.

Mr. Mackenzie: (Inaudible) of the supplementary report, is that what you want Mr. Chairman?

Mr. Chairman: Agreed.

Mr. G. Taylor: I would like to put some more names before you from another press clipping I have. I don't want to inundate you, but possibly somebody could get their resumes and their backgrounds and their involvement in this type. These are from a Toronto Star report by Louise Brown.

One is a Dr. Jerry Cooper, who has discussed psychiatric problems with people in the work force. Another is Doctor Lillian Messinger at Clarke Institute, who has the same interest in this particular area; and a Kathy Bullock, who is a senior consultant at Thorne, Stevenson and Kellogg, regarding people on layoffs. They have all been mentioned in this article. Perhaps we could get some background on them and see whether they might be potential witnesses.

Mr. Chairman: Those are the general comments from the subcommittee before us.

The committee adjourned at 4:47 p.m.

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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

MINISTRY OF TREASURY AND ECONOMICS POLICY

THURSDAY, NOVEMBER 6, 1980

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

O'Neil, H. (Quinte L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Clerk: White, G.

Assisting the committee:

From the Ministry of Treasury and Economics:

Miller, Hon. F. S., Minister

Purchase, B., Director, Economic Policy Branch

Sadlier-Brown, P., Senior Policy Adviser, Economic Policy Branch

Silk, Q., Senior Policy Adviser, Economic Policy Branch

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, NOVEMBER 6, 1980

The committee met at 3:35 p.m. in committee room No. 1.

MINISTRY OF TREASURY AND ECONOMICS POLICY

Mr. Chairman: In the interests of time we will begin. I will call the committee to order.

Initially, I would like to thank the representatives of Treasury and Economics for coming under such short notice. This completes the first four days of our deliberations, Mr. Treasurer, which have been of a briefing and background nature, by and large. As you know, we started off with the Ministry of Consumer and Commercial Relations on Monday, getting some background information on pension benefits legislation, followed by discussion on the present employment standards legislation on Tuesday, including in each instance some general discussion about likely amendments in both of those areas. Yesterday, your colleague the Minister of Industry and Tourism (Mr. Grossman) and his staff discussed in a broad sense how they perceive their fit in the context of this committee's mandate.

If I may begin with a general question: there has been some discussion and debate in the Legislature about our mandate, which we have interpreted on a broad basis. How do you see your role fitting with the mandate of this committee? Is there any general information you would like to share with us as to what we might alert ourselves to in the weeks to come? Clearly there is a relationship between the economy, shutdowns specifically, and your mandate to look at the broader economic picture in this jurisdiction. In that sense, could you give us some direction on how you see your fit, and perhaps the relationship between some of your staff and our committee staff in the weeks ahead?

Hon. F. S. Miller: First, you will have an opportunity, after I go to my next appointment, to question the three economists who are here from the Ministry of Treasury and Economics. I am sure they will answer the questions you pose to them.

The Ministry of Economics as opposed to Treasury, I suppose, is the ministry concerned with the matter before you. While each ministry appearing before you will have an interest related to a specific mandate, Treasury's mandate is fairly broad. Our basic duty or economic mandate is to see that actions are taken which stimulate, in so far as possible, the economy of Ontario.

We therefore hope that when you are looking through the background material and comparing Ontario to other jurisdictions,

not only will one have the easily defined interests of workers at heart, but their security in the work place at heart as well, because I think that is the most crucial part of it. My job is to see an economy in which there are as few as possible layoffs. Hopefull, then, if we succeed there will be little need for anything to support people laid off because we want to reduce it. Now that is an idealistic and unlikely set of circumstances.

However, one of the traps one can fall into in looking at any problem is to see what appears to be a generous solution in the interest of one party to that problem, which in the long term interest is not in their interest. So you are going to have to very carefully balance the recommendation you make, making sure they continue to maintain what we consider to be the most important attribute Ontario has, and that is a good environment for investment.

3:40 p.m.

On October 6, you may recall, we had an emergency debate on this topic in the Legislature. I think the Ministers of Industry and Tourism, Colleges and Universities (Miss Stephenson) and myself took part. I am sure others from other parties were there too. I pointed out, as I am sure others have, that yes, the problems of layoffs this year, as opposed to closures, are worse than they have been. We are in perhaps one of the deepest, if not the deepest, recessions we have seen since at least the Korean War, but we believe most of the problems we are facing today are cyclical. We are not trying to deny structural problems, we are simply saying we are seeing cyclical ones.

After one survives in various ministries for a few years, one learns that in fact cyclical means up and down. When I was in the Ministry of Natural Resources, I started out at a time when you couldn't give away market pulp. Why? Because when market conditions in the world had softened, I think it was the Scandanavian countries had tried to maintain full production on the assumption they could keep on producing and be ready for the next upturn in the cycle. They just overproduced, depressed world prices, and of course had a catastrophic effect on North American producers. All kinds of hasty requests were being made to step in and take panic steps.

The cycle did turn around and the cycle did come up. For the last two or three years we have seen a very healthy pulp and paper sector. I have as much trouble when we are in an up cycle reminding people that it goes back down again. One tends to say, for example, why are you helping a pulp and paper industry when it is healthy; and my answer then would be, because traditionally it is healthy for a short time and then it starts down again and you want to be ready for that next downturn.

I only say that because, whether it was nickel in 1977 and 1978, whether it is pulp and paper across those same years, whether it is automobiles in 1979, 1980 and possibly 1981,

certain of our industrial sectors go through cyclical ups and downs and we have to be very careful that we do not destroy the basic strength of the economy by taking a look at any projection, up or down, and over-reacting to it.

One of the key points I wanted to make in terms of severance pay, which I believe is one of the major issues you wish to discuss, was one I repeated in my speech on October 6 when I quoted a man whom I have learned to respect, Mr. Douglas Fraser. I have only met him once personally. He left a very deep and real impression on me as a statesman. I am not sure every industrialist would expect to hear that. He talked about the real problems of the automobile industry, both the structural and the cyclical ones. He talked about the increasing robotization of the Japanese industry, the quality of finish and fit, the problems of relatively low productivity in the United States and of outdated plants. He went on to say we have a responsibility to tell our workers they are only going to have protected jobs if we encourage investment in updating the plants, if we encourage concern about quality control, because we have to meet the conditions the Japanese are meeting or we don't deserve the marketplace. In the meantime, he went on to say, we should have some short-term measures--and by the way I totally agree with him--to protect the North American market while it makes the adjustments to the new energy age and to the new dimensions of cars.

Having said those few words in support of him, I hope it will make the next thing I say a little more credible, and that is he also said that he believed the place for severance pay was in the negotiation of contracts, and I quoted him at length. I don't know how one rejects what he says on the one hand and accepts what he says on the other. I would like to repeat his words.

He said, "Although severance pay has been an issue in recent plant closings in Ontario, it is no substitute for jobs or correcting the problem. It would be difficult to make severance pay a high priority item in collective bargaining because it would mean taking money from other areas for a situation that might not materialize."

I do not pretend to be well versed in negotiations. I would only say that that has been offered as a piece of advice by a gentleman who is, and who said of all the things he has to negotiate it is not near the top of the list.

Mr. Chairman, as you know I only can stay until about four o'clock, with that in mind I would rather say no more and answer questions should there be some.

Mr. Chairman: Thank you, Mr. Treasurer. I wonder if the committee would like to begin questioning, starting with Mr. Mancini and then Mr. Turner.

Mr. Mancini: I was just wondering--I really have not got a clear view from the minister as to how he is going to inject himself into this debate. Could one of those reasons be because of the fact he is bringing in a mini-budget soon? I take it his plan is to stimulate the Ontario economy somehow, and he views that as a spur to create jobs and therefore he views that as his participation in this debate.

Hon. F. S. Miller: I do not really see the mini-budget as participation in this debate at all. I think we are trying to look at problems that will be going on through 10, 15 or 20 cycles in the future, not the one we are now in. They may be precipitated by the cycle we are now in, but surely we are looking beyond those and trying to sort out what kinds of assistance and protection one needs to be fair in the marketplace for people who deserve protection under adverse conditions. I in no way would imply that I am going to try and come up with solutions to the problem we are addressing here next week.

Mr. Mancini: If that is the case, and as the minister has stated we are to put forward proposals which will help in the solving of these problems over the next 10 or 15 cyclical downturns, how does he view his participation at all in this process? We have heard from the Minister of Consumer and Commercial Relations (Mr. Drea) that he assisted the Minister of Labour (Mr. Elgie) in his statement, that he had some changes planned for the pensions part of the problem. The Minister of Industry and Tourism was here yesterday and he told us how he was pitching outside of Ontario to try to get new investment in Ontario.

But I am not sure, even after the minister's short statement today, exactly how he views his role. Frankly, for someone who holds the position as important as the Treasurer of Ontario, I would have thought that you would have some plan for injecting yourself into this debate. Surely, you know, or people within your ministry know, how the economy is running and what participation we should expect from yourself and your ministry.

Hon. F. S. Miller: We do know how the economy is running and we have made a number of comments on it. We predicted this year, for example, there would be 59,000 new jobs created in the full 12 months. That compared with 160,000 odd in the year before--something of that nature, I do not have the final figures in front of me. As of the end of the ninth month we had 61,000 new jobs in Ontario this year, marginally ahead of our expectations. It does not mean we are going to keep on increasing. We could easily have some slippage in the balance of the year, but I would argue that we probably will not.

Now that does not make us happy. The 59,000 new jobs in the economy was not enough. As long as there are more entrants to the labour force than there are jobs created, the basic problem is not solved.

If I am addressing your question, it is this way: the Treasurer's job, or the Minister of Economics' job, is to take whatever steps he can, along with other ministers--and I stress along with other ministers, because the policy minister is not necessarily the visible operating arm that announces and takes administrative responsibility for a program--to take steps to see that industries expand, and/or locate here.

3:50 p.m.

We do some of these things; and quite understandably, in the heat of the House we are often criticized for doing them. I am thinking of things like the employment development fund where we reacted to a predicted downturn in employment opportunities. Those things are always going to be part of our activity.

I think we could address other issues. You have to understand that a tax was imposed on payroll through Mr. MacEachen's budget. He added 33 per cent to the unemployment insurance premium in the province, effectively a tax both on employers and employees to something in the order of \$300 million to \$400 million out of Ontario, in addition to the moneys already being raised this coming year.

One knows that the federal unemployment programs are under another basic, thorough review, whatever that means, by the federal government. We are not involved in that. It may well be that in your deliberations you would want to give them some advice as to what their role should be.

Mr. Van Horne: Excuse me, I think this supplementary is in order. I recall one of your colleagues being asked about his involvement with the federal government, and the answer, either directly or indirectly, was that in fact you were. When you say, "We are not involved." Do you mean your ministry or the Ontario government?

Hon. F. S. Miller: I understood, and I can easily be corrected, that at the present stage of the restudy of unemployment insurance policies and programs it is being done by the federal government. That does not mean that later on they will not be closely involved with us, and it does not mean they have not contacted some ministeries since we are aware of it. I am simply saying I understood they were basically doing the work at this point.

Mr. Van Horne: If I may pursue it just another moment. In fairness, the question was related more to the adequacy of the skilled employment force that we have here in Canada. When there is such discussion between the federal government and the provincial government, are you, as one of the senior officers of the government, informed, whether it is directly in your domain or not? In other words, if it happens to come under the Ministry of Labour are you generally apprised of what is going on?

Hon. F. S. Miller: Oh yes; I think Treasury has the perhaps unique position in government of being aware of almost every policy proposal by every ministry as it goes through the field process. I do not know of any other ministry in government requested to respond to the three policy fields, apart from Treasury and Economics; and perhaps Management Board of Cabinet, because of course management board looks at the dollar and cent implications and we usually look at the policy implications. In most cases the answer is yes. In anything as big as government, or as small as the average family, you will discover how often you forget to tell somebody something you thought they knew; but generally speaking it works quite well.

Mr. Chairman: You have a supplementary, Mr. Mackenzie?

Mr. Mackenzie: Has your ministry, or any of the government ministries, made any representations to the federal government over the adequacy or otherwise of UIC payments or retraining programs?

Hon. F. S. Miller: I would have trouble being specific in answering that. My recollection is that we have complained: (a) that we had a surplus in the fund from the Ontario contributions to the federal scene--I do not mean that the fund itself is in surplus but that there was a surplus from the Ontario side; and (b) that we felt there were better ways to use the money than simply providing maintenance for somebody temporarily out of work. That got us more into the area of retraining, et cetera. I am reasonably sure that comments have been transferred to the federal government in both those areas.

Mr. Chairman: Mr. Mancini.

Mr. Mancini: The point I was trying to make was that as the Treasurer you would want to set some type of standard and some type of environment for the businesses to operate in the province. I was wondering if you thought that the business environment could handle increased benefits to terminated employees. That is what my initial questions were trying to convey to you. You know, being the Treasurer of Ontario one would think--

Hon. F. S. Miller: I guess I have great trouble answering that fairly. It really depends where the competition is. There are some kinds of measures imposed by governments on corporations that are almost welcome by corporations, because they become universal and therefore they apply to all their competitors. They do not hurt one more than the other. The Canada Pension Plan may or may not be in that category.

The problem is, when the competition is not in your jurisdiction what does it do to the chances of the corporation? If they are operating across a state or provincial line, are you still allowing the company to meet whatever competition they are facing in other sectors?

Like a number of us, I have hardly any relatives who are not in the hourly paid category, apart from my own kids--in connection with the latter I cannot afford to quit politics until they break even. As a result of 45 or 50 years of observing my brothers-in-law in that area I am very sympathetic and recognize what it means to see a guy suddenly left without a source of income. I have a great deal of sympathy for those problems.

Mr. Mancini: Basically what you are saying is that you do not know if Ontario business can tolerate these benefits to terminated employees.

Hon. F. S. Miller: I really do not know that.

Mr. Mancini: Do you not think that as Treasurer of Ontario that should be one of the things you should know and should be able to comment on?

Hon. F. S. Miller: First, I have not seen what kinds of benefits you are proposing. That is a critical part of it. One estimate I had was 26 weeks severance pay for 26 years, which I thought was a position taken by the two opposition parties. Was that correct?

Mr. Mancini: I believe so.

Hon. F. S. Miller: Somebody gave me an estimate that in the last year the cost to industry of that measure was \$700 million. I collected \$1.3 billion in corporate taxes from those same corporations. In terms of the amount I collected from them, that is perhaps half as much again. I think it is that kind of measure that is important.

There is a great tendency for people who have not run a business--and I have as you know--to assume that a per cent or two does not matter. A per cent or two, all too often, is more than your keep.

Mr. Mancini: I just want to conclude that original part by saying that I am surprised that the minister is not prepared to make a statement as to how he feels increased terminated benefits may affect the business environment.

Hon. F. S. Miller: May I say how I think they would influence them the most. Is the issue whether they can afford them or whether they would come here if they had a choice to move elsewhere where they did not apply? I have just seen a couple of sad things in my riding and Lorne Maeck's riding, where we have lost half of one plant in my riding and all of one plant in Lorne's riding to Mississippi.

Mr. Mancini: Just in response to that, sir, Mr. Grossman was here yesterday and he did mention the fact that the sunbelt states were part of our overall competition. I read to him most of his fact book, that clearly demonstrated there were a lot of

advantages for businesses that wished to establish in Ontario. He mentioned electricity rates in his fact book, the length of time it takes to construct a 50,000 square foot plant, the hourly wages. I could go on and on. So I am not sure what point you are trying to make.

Hon. F. S. Miller: I was trying to be honest. If one answers a question, "I do not know"; in a political circle you are always assuming politicians will say, "I know and this is the answer." I think at this stage of your investigation you better have my honest appraisal of the fact that I do not know. That is one of the jobs you have to assess as you talk to the various people, apart from politicians, who are involved in this process.

4 p.m.

Mr. Mancini: One final question and I will be finished, Mr. Chairman.

I was quite concerned by the minister's quote of Douglas Fraser concerning the matter of negotiated severance. My concern with that is that in many small plants that are unionized the unions may not have the clout to negotiate severance, and of course there are many unorganized plants that would probably have no option at all to negotiate severance. Would the minister not agree that in our discussions on this matter we must acknowledge that? If at all possible, we must make the means available whereby people in this particular category could at least be on the same plane as, say the United Auto Workers that is representing people in larger plants. They may be able to negotiate it, but these other people I have mentioned may not be. Does the minister not feel that we should take a hard look at that to see if we can even up the matter.

Hon. F. S. Miller: You are touching on one of the most difficult and disparate issues in the whole employment field: the benefits and rates of pay for people in many small industries and businesses in the province as opposed to those in large and organized industries, or governments.

I have spoken up at times, to groups such as college and university presidents and presidents of major corporations, and said that unfortunately I represent an employer from the group you are talking about. Also unfortunately, as a businessman I have customers who do not have to buy my product. You have to buy a government service, so in my role as a politician you pay whatever price I tax you for it. If you have to buy an automobile, however, your choice is whether it will be foreign or North American. Until this last year those cost increases were passed through, and all of a sudden North Americans cannot pass them through; and I think you have discovered that.

Mr. Mancini: The only reason I bring that up is because I was given the impression by the minister, after he quoted the statement by Mr. Fraser, that he found that to be a very

acceptable statement and agreed with it. Frankly, I did not think enough consideration was given to the nonorganized sector and to the organized sector that work in small operations. That is the only reason I brought it up. I think those people do deserve consideration.

Hon. F. S. Miller: It works for both sides of that sector.

Mr. Chairman, I have to leave if I may. My three staff members, Bryne Purchase, the director of the economic division, and Qaid Silk and Peter Sadlier-Brown are here to come forward and discuss economic data and facts that might assist you in the progress of the committee.

Mr. Renwick: I have just one quick question to the minister before he leaves. I am sorry you has to leave on such short notice. I think we should have scheduled you for another day if we had known.

Hon. F. S. Miller: I was asked to come this week. You are aware that I am also trying to get a budget through and that I had the whole day in advance.

Mr. Renwick: I understand, and we desperately need one so we will excuse you.

Mr. Minister, could you tell me when the royal commission on pensions will respond?

Hon. F. S. Miller: I have given up guessing. I understood their volumes were all ready two months ago. I keep hearing it is this fall and I have no information to say it is not going to be before Christmas yet. There is no use in my giving you a definitive time. I understand there are ten volumes currently.

Mr. Renwick: Is there any conceivable way you could persuade the royal commissioner to let you know when we can expect it? Secondly, can you arrange for our staff to have access to any background information and material that the commission may have that may provide some immense shortcut for some of the things we want to do.

Hon. F. S. Miller: Obviously, if that is possible we would be glad to. I myself, and my staff tell me they also, have not been made aware of any of the information or the likely outcome of that study.

Mr. Renwick: Surely to God the background studies should be available. They have nothing to do with the final report.

Hon. F. S. Miller: We can easily find that out for you and if it is possible make it available.

Mr. Renwick: Would you please try? Thank you.

The Vice-Chairman: Mr. Minister, the committee would like to thank you for appearing before us on such short notice. Might you be prepared to appear before the committee again at some future date if the committee feels they would like to call you?

Hon. F. S. Miller: Like all of us, I am a servant of the House.

The Vice-Chairman: Could I ask the three gentlemen if they would take chairs at the table.

I believe that the next person on the list is Mr. Turner.

Mr. Turner: Mr. Chairman, I am not sure whether the observations or questions I have are in the realm of being answered at this particular time, but we are obviously dealing with a very serious problem and a very personal problem that has dire consequences for those who are affected on both sides, the employee of course, and also the employer in many cases.

I was just wondering if it is fair to ask if any consideration has been given to alternatives to a cash payment. It seems to me that while it is very nice to have a cash settlement, severance pay, call it what you will, it is of very little benefit in the long run. Has any consideration, that you know of, been given, either on a straight provincial basis or on a co-operative federal-provincial basis, to implementing an upgrading, if you will, in job training to a more highly skilled type of position?

Mr. Purchase: I am not sure how to respond to that. Consideration would be a policy issue. However, if the reference were to general consideration of this kind of problem, in terms of literature we are familiar with as economists, just offhand I cannot think of anything in other jurisdictions--which is what I am talking about now--in the way of literature that is available to anyone to read. I am not sure if Peter could think of something, but I cannot think of another jurisdiction that uses that particular type of approach in the layoff circumstance.

Mr. Turner: I do not know whether we are more progressive than most, but we had a situation, very severe in nature, in our particular area. Some people took it upon themselves to implement a training program, an upgrading program to higher skills in order that people who were laid off could prepare themselves for jobs which were literally going begging because the skilled people were not around. That training program has had some measure of success within that relatively small area.

I guess what I was hoping to hear was that perhaps some consideration, from a government point of view, from an economic point of view, had been given or would be given.

Mr. Purchase: I think, sir, whenever you consider the approach to a problem generically, if you are considering, say a

lump sum payment or something like that in response to a layoff, the question immediately arises as to who would provide the payment. I can say as an economist that any increase in the real wage paid by the employer will in all probability result in a decline in employment. I think I can safely say that as an economist that it would, in fact, result in a decline in employment. I am not indicating, incidentally, whether that is good or bad, or whether or not those measures were desirable, but what I am saying is that in terms of consideration, among the considerations that one would have to look at, in the case of a lump sum payment, are what is the impact, who pays it and what would be the impact on employment.

Mr. Turner: All right; I can accept that when somebody is considering coming into a jurisdiction on a new basis, so to speak, or somebody who was thinking in terms of expansion. Quite obviously there is an overlapping of responsibility. Depending on what kind of a plan is accepted, I suppose, the private sector and all levels of government, perhaps, should accept some responsibility, certainly for the social consequences, as they do.

4:10 p.m.

But it would seem to me that plans that have been developed over the years--unemployment insurance, Canada pensions, various job training programs, upgrading and so on--have fallen far short of their intended benefit, if you will, in relocating, in providing new skills to people and providing, indeed, new jobs.

Mr. Purchase: If I could just respond to the first point you made. I do not think it is just a question of someone considering coming into this jurisdiction as opposed to another jurisdiction. In other words, if you were looking at the real cost of labour in Ontario compared to the real cost of labour in any other jurisdiction, that is certainly one type of possibility, but there is also a question of substituting capital for labour.

One of the amazing things that has befuddled economists over the past few years in this country is the enormous growth in employment. We have had just an incredible growth in employment; I think our employment growth in Ontario has been higher than any other industrial jurisdiction over the past 10 years.

Mr. Mackenzie: Even with higher wages?

Mr. Purchase: I cannot answer that, sir, whether or not this jurisdiction would have higher wages than the other jurisdictions we are looking at.

Getting back to this question of growth in employment, economists have consistently underestimated the growth in employment. I think one of the reasons for that is actually that

wages relative to capital, energy being an important part--energy and capital being complements in production--in fact what has happened is that the wage rate has risen less relative to capital, and therefore people have substituted labour for capital.

So in response to the first part of your question, I think what I say as an economist is that it is not just the question this jurisdiction compared to other jurisdictions and enabling legislation, it is also a question of whether an employer has the opportunity to substitute capital for labour, and if employers in general would look at the relative price of labour compared to other factors of production.

Mr. Turner: A point that was raised earlier, and I would like to pursue it a bit: in your opinion--and this may be unfair--but quite obviously big business, so-called, is better able to react to this type of situation where capital can be used to replace labour, if you wish. The complaint I hear over and over again, and I have experienced it to some degree, is that any time government begins looking at this type of program, it has a very detrimental effect on small businesses because of their obvious inability to cope with the increased costs associated with it, if there are increased costs. It is not only an economic problem for them, it is a problem in many areas.

Mr. Purchase: In terms of big business, one response which I might point out to the committee is that in some respects it is surprising that in terms of the depth of the downturn in economic activity that North America is suffering--and I believe the Treasurer mentioned that it may be, and we are not sure yet at this stage because the final statistics have not come in for this year, but in terms of the Canadian economy it may be the deepest recession we have had since the Korean War--one of the surprising things about it is that there are not more layoffs, if I may say so.

The reason for that, and economists have been looking at this issue for some time now, is this question of labour hoarding. Employers do not lay off as many employees as they might be expected to lay off if they were simply maximizing some sort of short-run profit situation. If they have some sense that the downturn in demand for their product is temporary, what they do is look through the cycle and say: "Look, the labour market is going to be very tight within a year, or whenever. Therefore, let's not lay off people now. Let's keep them even though we are sustaining larger operating costs or losses than we might like. It still is going to be a lot cheaper for us in the long run than to lose the loyalty of these employees"--and, in fact, lose the employees, because they may go off and find other jobs in the interim period.

So there is a certain amount of labour hoarding that normally goes on in the economy and apparently the phenomenon has, in fact, increased over the past years from what we have

experienced previously. It is what some economists have referred to as the invisible handshake. There is a kind of contractual--nonlegal in many respects--arrangement between an employer and his employees that under certain types of downturns the employees will, in fact, be protected from layoff. That does happen. They do not lay off under certain circumstances.

Mr. Turner: Sure, it does. But there again, you have given us the illustration of the very problem where big business is able to do that. The guy employing 25, 50 or 75 people--with an overdraft at the bank and his line of credit used up--just cannot afford that sort of thing, if we put something else on his back over and above the normal operating expenses.

Mr. Purchase: If one had a ma and pa grocery store--

Mr. Turner: I am not thinking in those terms.

Mr. Purchase: There is no question that perhaps labour costs in that case are a much higher proportion of total cost than for another business. You have to distinguish between them. So you could not just say "large business" because some very large businesses are large capital intensive businesses where wage costs represent a very small part of the total cost; others are large businesses with a very high wage bill. Those with a high wage bill would obviously feel the costs of anything which may increase that wage bill a lot more than another large company but not large in the same sense, given that it had a somewhat smaller wage bill relevant to its total cost.

So large versus small is a little misleading, I would say. I would think anything that would increase the cost of labour would be a factor, although, one would have to distinguish between labour intensive, if you will, and capital intensive, and there may be a large-small dimension as well. In other words, I am saying it is possible that a small business--if that small business was labour intensive--may be less likely to sustain its employees through a period of time because it has less access to cash flow or capital to tide it over. So I could agree that--

Mr. Turner: I guess what really alarm me, and just by an observation of the financial pages in the media, are the liquidation sales, dispersal sales, receivership sales and so on. With one or two exceptions, very rarely do you ever see a major corporation put in that position. It is always the relatively small operations. When I say small, maybe they are under capitalized, maybe they never did have enough money to operate on over a longer period of time, but when the final squeeze comes and the bank manager phones up and says, "Hey, we are calling that note for \$150,000" or whatever it might be, and the guy cannot come up with it he is on the spot. These people are obviously much more vulnerable to any increase in costs--no matter whether it is material or whatever it might be--than a large corporation, well financed, with the ability to do planning over a period of time. Let's face it, a lot of the small

operators unfortunately cannot take the time or afford the expertise to do that.

4:20 p.m.

Mr. Purchase: In general, I would think it must be true that large corporations have more capacity to sustain unexpected declines in revenues without cutting production.

Mr. Turner: All I am concerned about is that again, unwittingly perhaps, we are strengthening the hand of the larger manufacturer or whatever it may be, at the expense of the small operator, the small entrepreneur or people who even want to start in any business. It is not really a question but an observation. It is something that concerns me.

Mr. Purchase: It is very difficult for me to say yes or no.

Mr. Renwick: Mr. Chairman, contrary to my usual custom, I will not take very long. I am interested in what basic information your ministry can provide to us rather than engaging in a political discussion or a generalized economic discourse about these matters, on which I am sure there are many different views.

The government's position was stated by the Minister of Labour (Mr. Elgie) in the House on October 14. He said, "I wish to make a statement concerning the government's position on the important and complex issue of plant closures and layoffs, an issue which has received considerable public attention in recent weeks and which has been the subject of much intensive study within the government." Has your ministry done anything to participate in that intensive study and is there any background information, factual information or other information that we could have access to in this committee?

Mr. Purchase: Yes, sir. We have looked at most of the statistical sources on layoffs to determine their quality and reliability and so forth. I am not sure that the information we have is different from already has been tabled. We also have the Statistics Canada information related to the current conditions in the economy. It may be relevant to the committee. The analysis we are suggesting is that when looking at total layoffs, from what we can tell from the numbers, the layoff phenomenon looks like it is predominantly a cyclical phenomenon--and I use that term in a sense that when the economy recovers the layoffs as a percentage of unemployment--of all employed--will decline.

Layoffs that are permanent, which is to say plant closings and so forth, we cannot determine at this stage from our analysis per se--again, the analysis we have is based on publicly available information--anything that would indicate a fundamental problem in the Ontario economy; in other words, something that betrays a trend structural weakness from just looking at permanent and indefinite layoffs. I say that on the basis of

having looked at it; we do have the numbers. I assume that even more in-depth studies could be done, probably by both public sector agencies and private agencies. So I do not mean to imply that we have done a definitive thing but what we have done suggests those things to us.

Mr. Renwick: Apart from the information that you got in the assessments that you have made--I take it those are in writing and available to us--are there any other background studies which you have done or consideration which you have given to the problem? For example, what is your ministry's conceptual view of the relationship between a worker and his work place? Is there any view or attitude which your ministry has with respect to that relationship?

Mr. Purchase: I don't really think I could comment on that. I can say that we have not studied that issue of labour relations or working relations, which is not strictly within the jurisdiction of the Treasury. It seems to me more of a Ministry of Labour issue.

Mr. Renwick: I am speaking only of your ministry. We have had the ministers from the other departments here and we have had singularly little information, for practical purposes. We heard some compilations from the Minister of Labour and we may be able to get from the pension commission some statement of terminations of pension plans over the last year or 18 months and which of those terminations were as a result of closures of plants or significant layoffs in plants or economic hardship, that kind of thing, but it looks as though we have not much to go on.

The point has probably been made, but if it hasn't been made, we are most anxious that our staff, which is Graham White and Rick Jennings, have a direct access person they can get in touch with for the work of our committee and not be engaged in running around. I wonder whether you could at some point designate who that person should be.

I don't think I will ask any more questions. There were a lot of question-begging comments made by the minister in a general dissertation on the question, but I think I will restrain myself and let it go at that.

The Vice-Chairman: Mr. Van Horne was next on the list and he is out for a few minutes. Are there any other members who would like to ask any questions of these gentlemen?

If there are no further questions, I would like to thank you three gentlemen for appearing before the committee. Of course, if you have any comments on the stock market or anything like that--

Mr. Purchase: Yes, how do you make a million?

The Vice-Chairman: Should we give the chairman a call or shall we go ahead? I guess what we have to decide is which company or companies we would like to request to come before the committee next week. I might say, I have spoken with John Eakins, who wasn't able to be here this afternoon, and he told me he has talked with a few of the people from Lindsay and they have no objection whatsoever to appearing before this committee next week. Mr. Renwick?

Mr. Renwick: I would just assume that it would meet the agreement of the committee, as we discussed yesterday and so on, that Armstrong Cork seems to be a very good starting place. I can provide the address of the officers of the company and the representatives of the union in the interest of expediting contact with them so they can be given as much notice as possible. I have it here and I can give it to our clerk.

4:30 p.m.

The Vice-Chairman: Was it the intention to invite only the union people and the company people? I wonder if there should be any discussion on whether there should be any municipal people invited. What is the wish of the committee on that?

Mr. Renwick: I hadn't particularly thought of it that way. I thought we were trying to find out what happened within the economic unit. Certainly if it makes sense to invite someone from the municipal government who wants to come down and sit in, then I don't think there is any reason why the person should not come. Maybe it would be a good idea.

Mr. Turner: It might be helpful to leave it up to the people concerned.

The Vice-Chairman: If some of the members feel that way, maybe we should have the clerk contact these people to at least extend the invitation. Is that the wish of the committee?

Mr. Mancini: Just on that point, Mr. Chairman, I believe it may be beneficial for us to have one or two municipal people appear before us and tell us, for example, how a mass layoff in a small town affects the tax base, if the county social services department, for example, was able to cope with it and many other things which the city or the neighbouring municipality is responsible for. I think we should not just give them short shrift by saying, "Come on in and sit in the back of the room."

Mr. Renwick: No suggestion of that.

Mr. Mancini: Because I know the mayor of Windsor in particular could give us an awful lot of useful information.

The Vice-Chairman: We will take it then that we will have the clerk extend the invitation to those people we have

mentioned. Knowing that we are going to meet next Wednesday morning and afternoon and on Thursday, I wonder if we should have some backup with one of these other companies in case something happens and the people that Mr. Renwick has mentioned could not make it.

Mr. Renwick: Again with that in mind, I have a suggestion. These damned papers are getting so voluminous, I can never find anything that I want to find, but I have it here if you will just be patient.

Mr. Turner: Mr. Chairman, I submitted a name to the chairman almost immediately the committee was formed. The person in question representing his company said they would be willing to co-operate in any way they could. It is a company in Peterborough which has experienced a partial shutdown.

The Vice-Chairman: Which company is this?

Mr. Turner: Alfa-Laval.

Mr. G. Taylor: Since we are still searching for the directions that this committee is heading, surely next Wednesday, because of the distance some members have to travel, the morning will be taken up with the movie, which is informative, I am sure, then we will get on with Armstrong Cork and the number of representatives they will have before us. Knowing the length of time it takes to deal with each and every witness, by the time each and every individual committee member has had a chance to discuss and ask their questions, probably Wednesday and Thursday would be adequate time to deal with Armstrong Cork.

The remainder of the time would possibly be taken up with resolving the direction we are going and discussing the results of having those individuals that we have had before us for Armstrong Cork, rather than building up a backlog of people waiting to come on.

I notice Mr. Renwick has submitted a list of names of potential witnesses we will have and we might go into it even further between now and that particular time, selecting a different or alternative cross section of companies than that which Mr. Renwick has put forward so that we are dealing with possibly complete closures, partial closures, small communities, large communities, union-nonunion closings, possibly Canadian-controlled, foreign-owned controlled companies, automotive, nonautomotive, alternative solutions, large and small layoffs, so we get a thorough cross section. Possibly some of the other members may wish to say, "Here is an interesting company that I would like to see discussed." We could compile a list of companies that may best serve the interests of the committee in discussing and obtaining the information we need. So possibly by next Thursday they are all put together.

The Vice-Chairman: The only problem we could have with that is if we finish next Thursday there would only be one or two working days until the following week when we would be having other people. It could be short notice to get people. I will do whatever the committee wishes.

Mr. Renwick: I would like to respond to Mr. Taylor, if I may. I think Mr. Taylor and I are talking substantially the same language. The reason I submitted this list of companies for was to get it started. If members have other names then I think our staff should, in the next day or so, contact every member of the committee and ask if there are any other names to be added on to it. I think then it would be up to our staff to look at the group, which will obviously be larger than this group, and select from them the most typical cases to illustrate different aspects of the problem. Obviously, we can deal with only about eight altogether in the time we have. It would be important for us to come to a quick agreement. My only reason for suggesting Armstrong Cork was so that we could get under way.

Mr. G. Taylor: I quite understand that.

Mr. Renwick: I tried to select two backup ones on the basis that they do illustrate different aspects of it and are likely not to be controversial about selecting them. Essex International, Dunnville, has specific reasons why it should be called and, of course, Outboard Marine in the member for Peterborough's riding. Those were the two backup ones I had, without trying to preclude having a real selection made so we can fix our list, get in touch with the people, give them as much advance notice as we can down the road and go ahead. That is my feeling about it.

Mr. G. Taylor: In reviewing your list, by design or otherwise, I find they are all foreign-owned corporations. I am sure we must have some of our homebred ones that are in the same situation.

Mr. Renwick: That is right.

Mr. G. Taylor: I would like to try and say that Canada, within its own boundaries, has some of these same problems in plant closings.

Mr. Renwick: Just to finish it off, Mr. Chairman, what I would suggest is our staff take the responsibility of compiling, by contact with each of the members, a complete list of those in which the committee is interested. Then I would like to ask the staff, with whatever consultation they want to have, to select typical ones that illustrate different branches of this and come up with a recommended list of, say, five or six more, but for us to go ahead immediately in order to get on the road with Armstrong Cork and, failing that, with Essex International at Dunnville and/or Outboard Marine of Peterborough. I hope that Armstrong Cork will come next week, but we could give Outboard Marine and Essex International much more time if we can.

Mr. G. Taylor: I was going to mention, in regard to Outboard Marine, if you use that could you include as a combo there the Pioneer Chain Saw situation, because that is an offshoot of Outboard Marine Corporation? I do not think we can study that exclusively without looking at its child and takeover of Pioneer Chain Saw. I do not know whether Mr. Renwick agrees with that.

Mr. Renwick: Oh, sure.

Mr. Turner: I think that would be a rather interesting thing to look at, but do not try to tie the two of them together because, at this time, they are two very separate entities. They started out with one being a division of the main company and then spun off.

Mr. Van Horne: Mr. Chairman, in following up Mr. Renwick's short list, as it were, from what we have here we have had some staff and many caucus sessions to review what we feel would be appropriate situations to examine. Certainly, we discussed as a top priority the Armstrong Cork and Essex Wire situations. We felt the third on that list should be SKF. I am wondering if there is anything greatly different from Outboard Marine, if you want three or four to start with.

4:40 p.m.

Mr. Renwick: Or SKF.

Mr. Van Horne: In other words you are easy.

Mr. Renwick: I am easy on them. Those are all names which are front and centre these days in this field.

Mr. Van Horne: Again, our reasons for this are obviously ones with which we have some direct contact or involvement, either through members or through somebody else.

Mr. Mackenzie: It is a lower level of pay generally. It has different effects on people in the SKF deal and a lot rougher time getting there in the first place.

Mr. Van Horne: Yes, I just wanted to add that. In essence we are in support of this, but I think if we go beyond four or five we are probably going to find that we are out of time if we investigate these three, four or five very thoroughly. I would think if we are satisfied with the short list of Armstrong Cork first, Essex International second, SKF third and Outboard Marine fourth then let us take a look at what others we might pursue as of December.

Mr. Renwick: If we could settle on three today then we could ask the staff to assess all of the others so everybody feels they have had their own opportunity to put into it. We can

assess it then ask the staff to come back with recommendations to another five and then set the list at eight and go.

Mr. Turner: I think there is going to be a certain commonality to them all.

Mr. Renwick: There may be, but there are also significant differences.

Mr. Turner: Oh, there are differences.

Mr. Renwick: I agree with what Mr. Taylor said. We cannot take all subsidiaries of US companies and deal with them.

Mr. Chairman: Mr. Ramsay, I understand, is on the list and there is no one else on the list at present.

Mr. Ramsay: I just wanted to comment a little further on what my colleagues have indicated. I think what Mr. Renwick has suggested makes sense in that we look at Armstrong Cork and we have a couple of backup positions. Mr. Van Horne has suggested SKP and everybody seems in agreement with Essex International so that gives us three. However, I think it is important, as Mr. Renwick has stated, that the rest of the members of the committee provide a little input to the clerk very quickly, hopefully tomorrow and certainly no later than next Wednesday. Then perhaps on Wednesday morning we could establish a time that we will see that film and also leave ourselves a little bit of time to explore these other names at that time. I would not want us to get into these three and then all of a sudden say, "What are we going to do after that?" I would like us to know what we are going to do after that before we get into it. That is what I am trying to say. Could you answer my question as to what time you were planning to start on Wednesday morning?

Mr. Chairman: I do not know how long the film is. I think there was a feeling that we start a little bit later than normal, but that may mean 11 o'clock.

Mr. Mackenzie: It is about 40 minutes.

Mr. Chairman: Is 11 o'clock too late?

Mr. Mancini: Mr. Chairman, why do we not just plan only the film for Wednesday morning?

Mr. Chairman: It was my understanding we were going to do that.

Mr. Renwick: Could we not deal with our own internal workings as well?

Mr. Ramsay: Yes, I was suggesting we do that as an addition. If we start at 11 o'clock, we will see the film then we will have a half an hour left to go into the rest of the matter.

Mr. Turner: I think it may be worthwhile--and this is not said in any parochial way at all, but I would like to hear some of the comments of other members in this regard--to have Outboard Marine come in, for various reasons, not only the reason that they seem to be going through a downturn period, but in many ways they may be the typical problem plant, or a plant that is suffering common problems, the commonality that I mentioned before. I am not sure what others feel about it, but it is a company that has been in Canada since 1929, I believe. It has a long history, and has a long and very close association with the community in which it is located.

Mr. Chairman: I am sorry I was away there, but I think I have caught up. We are preoccupied properly now with making Wednesday and Thursday next week useful days. We have got three suggested names of groups to contact immediately to facilitate our work Wednesday afternoon and Thursday afternoon, am I correct?

Mr. Renwick: No. With respect, my understanding of where we were was that Armstrong Cork will come, along with the union representing the workers in the plant and so on, and I have the names of the people to give to the clerk, for Wednesday afternoon and for Thursday afternoon. As backup and also as the next one, in case the one for some reason does not fit, the next one that I have suggested--and I am open on it--was any one of three, Essex International, Outboard Marine or SKF.

Mr. Chairman: I understand Mr. Turner's comments now.

Mr. Renwick: We leave it up to the clerk to start to schedule those in. The second aspect was, assuming that eight is the total number we can deal with over the course of this time, that the clerk contact--and not leave it to the members--each member of the committee and ask whether he has any names to add to this list which I had distributed, then ask the staff of the committee to assess that list, and out of the total list may come up with some recommendations for the next five that we can select and the criteria for selecting them, so that next Wednesday morning we could solve that problem.

Then I have just one other comment, Mr. Chairman. When the clerk is speaking to each member of the committee, I think it is very important--we are certainly going to do it--to provide the clerk with the names, addresses, postal codes and everything of people whom we would like to get copies of the proceedings, and I would hope the clerk would ask each member of the committee for the names of any people in their area who may want to get them, because the more we get the stuff out the more chances are we will get people interested in what the hell we are doing.

Mr. Chairman: I understand then.

Mr. Turner: Mr. Chairman, if I may, there was an addendum to the Outboard Marine suggestion, that we should be also looking

at Pioneer Chain Saw, which is now a separate corporation, but it was a spinoff originally from Outboard Marine. It all ties together and I think it may be an interesting bit of background.

Mr. G. Taylor: Jim, are you going to add any governments to that distribution list?

Mr. Renwick: I might send one to the President-elect.

Mr. Chairman: Am I correct then, we have for today completed our work immediately before us, and we have the budget to have a quick glance at please, but the clerk will be communicating with us. We will be providing the clerk with additional lists, two kinds of lists. One is to receive the Hansard, that to come from each of the caucuses, and others that we should put into the hopper for discussion as to slotting in in the weeks ahead of us, but that Wednesday following the film, Shutdown, we will have an opportunity to deliberate again on those names, in addition to the several agreed upon now that we will contact.

Re the budget, could we have a fast look at it. This is my first and I would appreciate--

Mr. Mancini: The only thing I object to, Mr. Chairman, is the four days a week sittings.

Mr. Chairman: Everybody was going in the dark, Mr. White is no exception. This is completely open to revision.

Interjection.

Mr. Chairman: It was going very quickly in the dark, which is a plus. So it is just for that, Remo.

"World-price Renwick."

Mr. Turner: Jim, you are labelled.

Mr. Renwick: Coming from you, Mr. Chairman! "Fair price."

Mr. Chairman: I do not know that I want to speak tonight or not.

4:50 p.m.

Mr. Renwick: I am thinking about the people in Riverdale. The Premier has never had to meet a payroll, that is his God-damn problem. If he did, he would know there is no free lunch around the plants.

Mr. Turner: That is an interesting comment from the member for Riverdale, I can tell you.

Mr. Renwick: I will have you know that I have met more payrolls than the Premier ever did, and I did not meet them all from the public trough either.

Mr. Turner: I think you and I may have something in common.

Mr. Renwick: I am sorry for the interruption. I think it is fair to say, as the Premier would say, you provoked it.

Mr. Chairman: Yes, I did. It is very much on my mind because I may speak tonight.

Mr. Renwick: You are speaking tonight. I will be there listening very carefully.

I want to ask the clerk how he calculated those witnesses' expenses. I want to make sure that we are all right--I do not mean that we are going to go crazy--but that per diem, the witnesses' expenses list that you put in front of me would indicate we might be talking in each of these cases, say, a dozen people probably coming different distances and so on. I think the allowances are fine. I think, Mr. Chairman, when you present it to the committee, you must tell them that you may have to come back on the \$4,000.

Mr. Chairman: By committee, you mean Board of Internal Economy?

Mr. Renwick: You have to give this to the Board of Internal Economy. Just reserve on that, that we are not sure yet how many witnesses. We will be paying them in accordance with the--

Mr. Mackenzie: One of the initial purposes of keeping it in town was to keep the expenses of travelling down, but that does mean you will run into, in some cases, a little additional cost on the witnesses, and I am not sure you may not be a little low on it and I would agree with Mr. Renwick.

Mr. Renwick: That is my sort of feeling.

Mr. Van Horne: I move that we double it.

Mr. Renwick: I would think maybe you better double it or something like that and explain that is an open-ended one.

Mr. Chairman: I understand that. Mr. Mancini's point about the number of days, again that was just a discussion point. Any comment on the number of days?

Mr. Ramsay: Rather than four weeks of four days, make it five weeks of three days or something, if you have to have that many days.

Mr. Turner: I would support that.

Mr. Renwick: This is a very important topic--

Mr. Turner: It is an important topic and I would not disagree with that, but I think, without being disrespectful in any way--

Mr. Mancini: Go ahead, be disrespectful.

Mr. Turner: Never.

Mr. Renwick: I was not referring to you, I was just--

Mr. Turner: Okay, I will forget it. I would support the three days for six weeks, five weeks or whatever the number might be.

Mr. Chairman: The point is noted. The arithmetic shows that the number will be about the same, but the point is noted for further committee deliberation on the number of days. For the budget submission the arithmetic would hold. We have to meet a deadline from the administration office here and we want to get something before them fairly early on. I think there is no question about it, I will be reporting back to you and will share their concerns, if any, and we can between now and the tabling of our interim report tighten up our first proposed budget.

Mr. Renwick: Mr. Chairman, there is just the one other thing I want to tell--

Mr. Chairman: Sorry, Mr. Renwick. I do require a motion to adopt this even on a temporary basis. Mr. Van Horne so moves.

Motion agreed to.

Mr. Renwick: I would really like to lean more in favour to Russ Ramsay's proposal, subject to the chairman's discretion, of the chair exercising some discipline over the members and the members trying to exercise some discipline over themselves, including myself, next Wednesday and Thursday, because we have got to get through that one example in the time that we have allotted, and I would hope that none of us would feel offence if you pull the time on us and so on.

Mr. Turner: You may not know this, but Armstrong Cork has an interesting background. Just very briefly, they were originally in Peterborough, moved out of Peterborough and went to Lindsay for whatever reason, and now they are having problems.

Mr. G. Taylor: They should have stayed in Peterborough. That's a Tory riding.

Mr. Turner: I am not sure, but I am just saying again it is a long-term proposition that has had a detrimental effect on two communities at least.

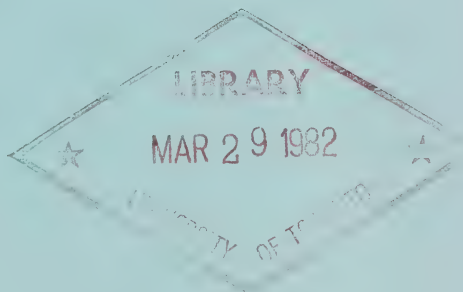
Mr. Chairman: I hear the message overall and I will take the guidance of the committee.

The committee adjourned at 4:55 p.m.

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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

UNITED AUTO WORKERS
ARMSTRONG CORK CASE STUDY

WEDNESDAY, NOVEMBER 12, 1980

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Clerk: White, G.

Researcher: Jennings, R. F.

Also taking part:

Cassidy, M. (Ottawa Centre NDP)

Eakins, J. (Victoria-Haliburton L)

Witnesses:

Morning sitting:

Gill, J., Director, Citizenship and Legislative
Department for Canada, United Auto Workers

Afternoon sitting:

Clark, B., Co-director, Amalgamated Clothing and Textile
Workers Union

Jordin, J. N., President and General Manager, Armstrong
Cork Industries Ltd.,

Simpson, H., Industrial Commissioner, Town of Lindsay

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, NOVEMBER 12, 1980

The committee met at 11:16 a.m. in room 151.

FILM: SHUTDOWN

Mr. Chairman: We have a quorum and I will call the meeting to order. As everyone knows, we are going to begin our sessions this week with a showing of the film Shutdown, a case study of the Prestolite experience. Mr. Jim Gill from the United Automobile Workers is here and would like to take a few minutes to give us some background before we view the film. Mr. Gill, about seven or eight of the committee members are here in the room. They are the serious-looking ones.

Mr. Gill: Thank you, Mr. Chairman, for giving me the opportunity to bring down Shutdown. I do not know if any of you people have seen it before. It is a film, a half hour in length, done by the National Film Board two years ago.

It is a film that came about almost by accident. There were some people in the National Film Board who wanted to do a film or a series of films on the role of multinationals in Canada. It was at the time that we heard rumours of a possible closure of the Prestolite plant, which is in Sarnia and which is owned by Eltra of Canada Limited. A lot of the history of the Eltra Corporation is contained in the film, so I will not go into that.

The greatest miracle of all, I suppose, was that a producer found money through the bureaucracy to do something before the whole thing had finished. What you actually see in the film is a series of interviews with a number of people who were affected by the actual closing itself. There are some things to watch closely because there is nothing staged, there is nothing hoked up, there are no actors and there are no scripts. The thing you see there is the actual plant going down. There are interviews with people afterwards.

It was done, as I said, two years ago, and released less than a year ago. About six months ago the film was finally released, having gone through all of bureaucratic channels to get it out.

There are a couple of very significant patterns that came about after the film was released. If you would care to hear about them I would gladly bring you up to date on the individual cases and so on.

I think the simplest thing is to go ahead with the film. Again, it is just under half an hour in length.

Mr. Chairman: Just before we start, if the committee

wishes to take 10 or 15 minutes to have questions and answers with you afterwards, could we do that?

Mr. Gill: Sure. No problem at all.

The committee viewed an audio-visual presentation from 11:19 a.m. to 11:43 a.m.

Mr. Chairman: I might just say for the record that we have just viewed the film Shutdown dealing with the Prestolite plant in Sarnia. Some of the committee members, I believe, have questions. Mr. Jim Gill is available to answer questions that flow from the movie.

This meeting is officially called to order. Are there any questions from members of the committee regarding the film?

Mr. Mackenzie: For the record, Mr. Chairman, it should be noted that the effort to keep the plant going, the private effort, failed very shortly thereafter.

Mr. Chairman: It did?

Mr. Gill: The plant closed about a year and a half ago. The struggle to keep it open was hampered by the fact that the necessary capital funding was never available. It is ironic. We found out after this plant closed down that, while we were getting assurances from the Ministry of Employment and Immigration that it would make every effort possible to look after the problems at this plant, the same ministry was giving money to the Eltra Corporation to open up another plant in Ontario.

Subsequent to the plant's closure, a private entrepreneur and the workers did manage, as the film pointed out, to reopen it for a period of time, employing 100 workers, but the funding promised by the federal government never did come through and there was never any funding by the provincial government.

In effect, what really happened was that the landlord foreclosed on them. They had to close. It is also ironic that the landlord was Eltra Corporation, the same people who closed them down originally. It is not too often that we have the instance of the same corporation kicking the same people twice in a period of two years.

I should point out that what is contained in the film, the comments of those people, is very typical of what we hear from any number of people today. Their anger is directed at what they perceive to be American corporations, although in other instances they are European-based corporations, Canadian-based corporations and so on.

Some of those things in the film are also very typical in relation to women workers. One person in the film gave a very graphic example of what happened to her. It is not just losing a job, it is losing a way of life. For a long period of time after that plant closed that person in the film was only offered jobs that paid slightly above the minimum wage level, which is not

sufficient to raise a family, as she was attempting to do, neither did they pay anything similar to what she was earning at that place there.

The other thing that we hear about--and we hope you spend time investigating it--is the matter of pension protection. The examples given were real. It comes as quite a shock to people, although we tell them all the time, that the legislation supersedes the negotiated provisions, and that even though you think you have a contract that calls for adequate pensions you may never get them. It is very difficult, as we found out, to tell people who have 20 or more years of service that just because they happen to be under the age of 45 they may get zip or they may get very heavily reduced pensions.

Mr. Chairman: Mr. Renwick has a question.

Mr. Renwick: First of all, Mr. Chairman, is the Hansard machinery sufficiently sensitive to pick up the words in that film so that it can be reproduced as part of the proceedings of the committee and so that we could have a transcript of it?

Mr. Chairman: Hansard indicates yes.

Mr. Renwick: Thank you.

Mr. Gill, would it be possible for us to get a list of 10 or 15 typical names from that plant so that we could consider whether it was worthwhile asking them to come and tell us what their experiences have been from December 1978 until the present time?

Mr. Gill: I see no problem there. A lot of those people have scattered, of course. Now they are looking for jobs all over the place. Some of them had to take minimum pensions. They were a little too old to find any kind of job in Sarnia. But there certainly would be no problem finding a representative.

Mr. Renwick: I think we would have to have certain criteria in order to get people who were typical of certain problems that arose with respect to pensions, with respect to job relocation, with respect to disruption of their life style and so on. I think that would be important.

11:50 a.m.

The other matter I think we should seriously consider with respect to Prestolite is that it has--and this is a dreadful word to use--the advantage of now being history, in the sense that it is almost two years since the decision was made. At some point when we are considering our future plans, we should consider whether or not we should call on the officers of that company, particularly the so-called efficiency expert who went into that plant, to find out what the changes were and to see if we cannot get some rationale from the company about what that film says about the managerial decisions in respect to the plant.

Mr. Chairman: Thank you, Mr. Renwick.

Mr. O'Neil and then Mr. Taylor.

Mr. O'Neil: Mr. Gill, you mentioned that the plant people refused to be interviewed.

Mr. Gill: That is correct.

Mr. O'Neil: They would not allow you on the premises.

Mr. Gill: That is right.

Mr. O'Neil: Did they give reasons over and above that as to why they were closing, to newspapers or to other people?

Mr. Gill: Yes, they did at the time of the closure, claiming a number of things. One was that the plant was inefficient, but from our information there was a gradual reduction, as they point out in the film, particularly in lines, so that over a period of several years they ended up with really only one line in the place.

We tried to question them on why, if they were going to close that plant, they were opening up another plant in Ontario. Prestolite has other plants in Ontario, in the Toronto area and up in Maitland as well.

Mr. O'Neil: Did they open up one of these plants immediately after the closing of that one?

Mr. Gill: There was one in process.

Mr. O'Neil: Where was that located?

Mr. Gill: In Preston.

Mr. O'Neil: In Preston?

Mr. Gill: Yes.

Mr. O'Neil: Our staff would be able to go back to the records--say, newspaper articles--and get some information on that particular plant's closing.

Mr. Gill: Yes. There were a number of public statements made at that time, yes.

Mr. O'Neil: Which union was involved? Was it the United Automobile Workers?

Mr. Gill: Yes.

Mr. O'Neil: Did the UAW keep any records as to where these people ended up; in other words, if they got jobs elsewhere, if they were on relief or if they were unemployed?

Mr. Gill: We have records of a number of cases--maybe not as detailed as we would like--in the Sarnia area, through the people who stayed with it. That plant chairman in the picture

stayed on for the reorganization and reopening of the other plant. Because of pension provisions we had to keep track of a lot of people. The Pension Commission of Ontario would have this as well.

Mr. O'Neil: Would the union be able to supply us with those records from their files?

Mr. Gill: From what we have, yes. It was part of an amalgamated local down there, so the local would have records. I do not know, again, if they are precise enough for your terms, but they certainly would give you a lead.

Mr. O'Neil: You said too that the union would keep track of these for pension reasons.

Mr. Gill: Until the final closedown, we had to deal with the pension commission and try to work out the sawoff point for whatever funding was there. That took some time in itself. Although a plant closes, we do not sign it off for some period of time because there are other plans that have to be dissolved as well.

Mr. G. Taylor: I have a question of the witness. At the end of the film it was mentioned that the UAW and individuals who had worked in the plant before reopened the plant and proceeded to carry it on. Subsequently you told us that it has gone out of business again. Those individuals too had to come to some economic decision as to whether or not to continue the plant--for whatever reasons--similar to what the original owners had to do.

Mr. Gill: Right.

Mr. G. Taylor: The end product was that the UAW and those individuals who had the decision-making power were no more generous than the original owners had been in their decision to close the plant. They had to come to the same economic decisions.

Mr. Gill: No, absolutely not. It was a different sort of situation. It was opened with the help of an entrepreneur by the name of Mason who is familiar with these sorts of things.

The workers were quite generous in their contributions to it. If you look at their pay cuts and benefit cuts, it amounts to a very large, significant amount. What was lacking was large pools of capital. They had a market. They were building fractional horsepower motors. They needed a line of credit.

You might want to check into what the government was doing at the same time. This was almost at the same time the federal government was giving something like \$68 million to the Ford Motor Company. It needed money, obviously, but this smaller corporation that was put together in Sarnia could not get this same kind of guarantee. No corporation keeps going without it.

Mr. G. Taylor: But this second group of people still have to come to some economic conclusion that they could not compete in the marketplace.

Mr. Gill: They could compete very well. They were forced out.

Mr. G. Taylor: I am having difficulty understanding that they were forced out.

Mr. Gill: They were foreclosed on; lines of credit were withdrawn, federal government promises of support were withdrawn.

Mr. G. Taylor: All those, then, are economic decisions. Somebody is saying you cannot pay your bills and you cannot carry on this whole economic structure to produce a product--looking at the whole picture.

Mr. Gill: But they very well understood that they could have carried on if they had been given an opportunity equal to what other corporations were given.

Mr. G. Taylor: Your definition of equal opportunity then is that they needed a large infusion of capital from a government source, comparable to the other examples you gave.

Mr. Gill: Well, you can compare them to Ford if you want to.

Mr. G. Taylor: Continuing with this, I guess this is a particular quirk--and I throw it out to you--about radio, TV and media people generally, but according to the caption you put in you find it too heinous--

Mr. Gill: We did not put it in, by the way. We had no editorial control over the film.

Mr. Mackenzie: It was a CBC production totally.

Mr. Gill: No, the National Film Board. It is not our film.

Mr. G. Taylor: Okay, but still, you find it somewhat wrong that somebody should refuse you the opportunity to film him, or refuse a group the opportunity to film him. This seems to be a characteristic of news media people and film people. There may be situations--I might be one of the three individuals crying there at the scene. I am emotionally overwrought and I do not want you filming me. There seemed to be a negative tone right at the start of the film.

Mr. Gill: I understand it is a generally accepted practice of the media to offer people the opportunity to present different sides of the argument, their arguments, so they get a balanced picture. I guess what they were pointing out there was that they tried that and the other side, the corporation, did not want to present its side. That was up to them. They had the opportunity.

Mr. G. Taylor: But your words did not say that--or the words in the film did not say that.

Mr. Gill: I think it was very clear.

Mr. G. Taylor: Okay. It wasn't clear to me.

Mr. Gill: Well, I will run it again.

Mr. G. Taylor: There were other words in the film to the effect that Sarnia is not a manufacturing town, it is petrochemical town, and, similarly, this was a manufacturing industry contrary to what was characterized as the total makeup of the community, being petrochemical. So their skills, as indicated in the movie, were not transferable between the two business operations.

Yet, if you are trying to get a good pattern of development throughout Ontario or the country as a whole, if you give money to subsidize an industry of that nature, even in another spot--as we often hear, secondary manufacturing should be in the north--when you give this artificial infusion of money to locate a business for whatever reason, and then it has some economic downturn, you are really forcing a situation of hardship on those people because there is no other place to go, no other jobs. That would then lead us to believe that possibly we should not be artificially creating jobs in areas that cannot sustain them except for the artificial infusion of capital.

Mr. Gill: I hesitate to answer that because you have convoluted five arguments into one there. The thing is, this industry was there before the petrochemical industry was really there. It is typical of what happens in an area where a production facility closes down. You can use the example of mining in the north if you want to. A particular mining situation closes down. There is nothing else.

This was a plant that was in the heartland of industrial Ontario, you could say, but there were no opportunities for people there. Sarnia does not really have a manufacturing base any more. It is solely centred on the petrochemical industry--you know this--and that is not labour intensive. There is no place for them.

Mr. G. Taylor: Does it follow that you could not do this elsewhere? I am thinking of the newscast last night where they mentioned the situation of an oil-burner manufacturing company in Waterford that has gone under. It had some 100 employees. It is the major employer in that community; therefore, they have nowhere else to go. With hindsight, the decision to locate something there was probably wrong.

12 noon

Mr. Gill: It is not the location of the plant, for heaven's sake. It is the decision of the corporation to move their manufacturing out of the area or out of the country.

Mr. G. Taylor: This one is going under because of the switch to gas, so the product is no longer an economic product.

Mr. Gill: The reasons given here had nothing to do with

the location. It could have been Sarnia, Toronto, Kitchener or wherever, because they were moving out of the country, period, while still maintaining their sales within the country.

Mr. G. Taylor: They were what we would call rationalizing their industry to a base elsewhere.

Mr. Gill: We call it a runaway. The people who work there call it a runaway too. They do not call it rationalization.

Mr. G. Taylor: You stated the plant was efficient. Efficient in what way? Also, the discussion was that they changed their product lines over the years in numerous ways.

Of course, I can recall way back when, when Prestolite was one of the heavy sponsors on radio, one of the key sponsors of some big programs. Prestolite was a household name in regard to automotive products.

As we saw at the end there, they had such a transfiguration of all their product lines that they were no longer what they had originally started as. There is a whole group, a host, of reasons, from the General Agreement on Tariffs and Trade to the auto pact to, as we saw later, the Vietnam war.

From a legislative point of view, how do you prevent that restructuring from happening? You could ask the gentlemen around here how we, as legislators, prevent that internal restructuring, until finally you have them, as you referred to them, running away, or, in effect, rationalizing, although you are also saying it was an efficient plant.

Mr. Gill: Every line they moved out was good, and every line they put in was good. The fact is that a lot of those things in manufacturing were covered under international trade agreements, whether it be the auto pact or the defence sharing agreement when they were building munitions. We have a lot of control over that.

We will be making another detailed presentation to you whenever you are accepting these presentations. We have a number of proposals. Just look at some of the countries these plants are going to. That's all you have to do. You see, all these corporations operate around the world. They will give you the argument--they gave us the argument too--that it would not be wise to enact any restrictive legislation in Ontario or Canada because that would only drive these corporations away. But they seem to operate very well in those countries that have what some would call restrictive legislation.

Mr. G. Taylor: Operate in what way?

Mr. Gill: They are profitable.

Mr. G. Taylor: With the same efficiency, the same product line.

Mr. Gill: They wouldn't be there, I wouldn't think, if they didn't.

Mr. G. Taylor: Why is it then that they would leave Ontario?

Mr. Gill: I think that is a question you should ask them. I am quite serious. These are questions you should be posing to them. Why is it that they complain about the possibility of any restrictive legislation in this province or this country, and yet they operate very profitably in countries that have quite restrictive legislation on redundancies, closures, layoffs and so on?

Mr. O'Neil: Could I ask a supplementary? You mentioned that in this brief you are going to be presenting to the committee you have mentioned some of these companies. Could we ask what the names of some of those companies are, so that we could be prepared to have some financial background or data on these companies you are talking about?

Mr. Gill: We could give you a preliminary list of corporations that we deal with that have closed plants or have had massive layoffs or line moves, as it concerns our union.

Mr. O'Neil: That you will be dealing with in your brief?

Mr. Gill: Yes. If you want it beforehand, certainly we can give you this information. I think other unions--I do not know how much information the ministry has in this respect. It is not a problem to give you that. These are questions I think you should pose to them.

Mr. O'Neil: I think that kind of information would be appreciated.

Mr. G. Taylor: But you do not have any answers as to why they do it. You are just saying we are the same as the country they have gone to in all respects; therefore, we cannot fathom why they are going to another jurisdiction.

Mr. Gill: We have some ideas why they are going.

Mr. G. Taylor: What would those ideas be?

Mr. Gill: There is a possibility of cheaper wages in some areas. There is a possibility of less restrictive health and safety legislation, such as Mexico, but Mexico has very tough legislation on plant closures.

We could give you the example of Bendix in Windsor. We were putting a lot of heat on them because of the health conditions in the plant due to asbestos. They also have a big plant in Mexico. In Mexico they would have had to justify the closure, given much longer notice, severance pay and so on. In Ontario they do not.

When it comes to rationalization, if you want to use that term--it is a term they use a lot--are we going to be rationalized

right out of a manufacturing base in Ontario? It is possible.

Mr. O'Neil: That might be a point too, Mr. Chairman. You mentioned some of these laws in Mexico. Perhaps some of our staff could look into that too, to make sure we do get the laws in relation to that down there.

Mr. Gill: I believe the ministry has that. We have in our files all the time the different laws around the world on redundancies. The federal government has done a number of studies over the last few years on this as well. Comparisons can be made quite easily.

Mr. G. Taylor: It can become a common feature, and I am aware of it, that you will get the federal government in with some type of program-- DREE, tax incentives or what have you--and in some respects you can predict that in 10 years to the day, if it is a program of a 10-year tax writeoff of a particular product line or machinery, the plant will close and the company will go home. I have seen that happen.

When your brief is presented, will you be making comment on these federal government proposals that artificially create a situation, create jobs, but then the companies disappear when the advantage that the federal government or the governmental program has given them ends? Will you be making any comment on that?

I think of the Midland area where there are a number--bang, bang--you could mathematically calculate it 10 years to the day the program ended.

Mr. Gill: The whole Georgian Bay area.

Mr. Mackenzie: Surely you are not admitting that, George.

Mr. G. Taylor: It is not my program; it is the federal government's program. Am I admitting that? It is a fact, Bob.

Mr. Gill: You may want to look at the provincial government's grants to corporations too, to see if there is a similar pattern. You were talking about Georgian Bay. We just had a plant close up there in Parry Sound, a Rockwell International plant. If you are following corporations around and really want to study a corporation, I would suggest very strongly there is one you look at. We call it a gipsy corporation because it pops up in Windsor and ends up anywhere at all.

I do not know where the one that is leaving Parry Sound is going. They told us that because they manufacture hubcaps with shiny wheel rims they had to close down, because there is no such thing as hubcaps any more. But I can go out and look in the parking lot out there and there are hubcaps.

Mr. G. Taylor: This gets back to my earlier question. We watch these government programs. Should we be more precise in how we give out the money--I guess that would be the question in summary form--because these things do take place? Maybe there should be more control.

Mr. Gill: I find no fault with that--including the provincial ones, of course, too, because there have been large amounts of money spent by this province to attract industry, as it were, or to salvage industry. You are aware of the rather minimal restrictions involved. I think if we are going to track the federal grants we have to track the Ontario grants as well.

Mr. Van Horne: Have you a clearly defined blueprint for solving problems like this in the future, a blueprint that could be applied to the federal government on one hand, the provincial on another? Have you sat down and charted this thing out, looking at the existing laws, pointing out the weaknesses in these laws and recommending solutions? You mentioned Mexico as an example of a place where you have some understanding of the law.

Mr. Gill: European countries are much more precise.

Mr. Van Horne: Holland, Germany and others. Have you got a document, or have you put yourself to the task of really analysing in depth the problems that exist in Ontario--that exist in Canada, Ontario being part of it--and essentially the problem of us--the workers and the country--being governed by two sets of laws, and do you have solutions to those problems? Do you have a blueprint?

12:10 p.m.

Mr. Gill: We made presentations to both the provincial and federal governments over the last few minutes in this respect. There are some for the federal government. The federal government can move in certain areas.

So can the provincial government. There were some examples on that film. The provincial government has the responsibility for pension protection, which, as we have found out, of course, is rather weak these days. Notice of layoffs, severance pay: All of these things are really of a provincial nature. This is the sort of thing about which we have spoken to the provincial government, the cabinet.

Again, I do not know if it is a precise enough blueprint to suit your purposes, but certainly we will be coming to you with some pretty strong suggestions.

Mr. Van Horne: Have the things you presented to the federal government been made available to provincial legislators too?

Mr. Gill: We have given them to this committee. We will certainly, again, if you want this stuff.

Mr. Van Horne: It may be worthwhile for us to take a look at the presentation they made, Mr. Chairman.

Mr. Gill: No problem.

Mr. Mackenzie: I have a couple of basics questions. They

really deal with a further response to a couple of questions that were asked by Mr. Taylor.

There have been a number of arrangements I am aware of where workers have foregone wage increases or taken cuts--in many cases, substantial cuts--in salaries. If there is a possibility of starting a corporation or some kind of joint venture, it is a matter of what you can do with the individual workers, from my experience. I am wondering if you could make it clear whether or not, other than investing their savings, the unions can operate as banks or have sums of money to invest in these kinds of operations.

Mr. Gill: The problem is we are not bankers. We do not have any vast sums of money. What money there is is from individual workers through the dues structure. What they do, though, is make pretty massive contributions when they take pay cuts. All you have to do is think in terms of some of the plants where people have lost maybe \$2 an hour over the past couple of years, and we can give you a couple of examples of that. In the old plant I worked for, the workers did this three years ago.

If you compute that out over a period of two or three years with 600 or 700 workers, we are talking about millions of dollars. Those workers have made a very direct contribution. This is all they have to give.

I know some examples, although I do not have experience with it, where there has been some share, equity, that workers have bought into, but there is really not that much difference. The average worker does not have great pools of money.

Mr. Mackenzie: The point is that a union is not a lending institution.

Mr. Gill: We do not have the resources.

Mr. G. Taylor: I was going to follow that up. Some unions, I am sure, have pension funds, as do many other operations--insurance companies, et cetera. Everybody has pension funds and I guess unions invest as everybody else does. But when you get down to a particular point in time, everybody makes an economic decision--whether it is the union, whether it is the government, whether it is a corporation--when they say: "That's enough. This is no longer an economically sound operation."

What I am trying to say is a union would make the same decision with regard to the investment of its pension fund as, say, a corporation would make or a government would make or a private investor would make. Somebody has to make the decision.

Mr. Gill: Let's get one thing straight here. Let's make it very clear, because you are off on a tangent about the fact or the idea that these corporations are losing money. In the vast majority of cases they are not. They are just not making enough money. That is quite a distinct difference. I suggest, too, this is an area you should be looking at. As we are able to perceive it, these corporations are not losing money.

We can give you some examples where it was purely a decision to consolidate the product line. One example I hope we will give you is the example of the American corporation that just decided to close the plant down and supply the Canadian market from a Buffalo plant or wherever. The union was very instrumental in finding a buyer. The plant kept producing and had enormous sales.

The problem you have that plants have to make the decision to close down when they are not profitable is not necessarily the case. I think you should track this. I do not know what your staffing abilities or research abilities are, but this is a very important point.

Mr. Mackenzie: The other point I wanted to talk about was that I took the opportunity to talk directly with the director of the film, who, incidentally, found great opposition to getting it produced and then out for distribution. It was almost killed several times. It makes you wonder, when there is a CBC.

Mr. O'Neil: What do you mean, "killed"?

Mr. Mackenzie: They did not want to show it. They did not want to release it. Getting it released was a fight. That might be worth going into in itself.

Mr. O'Neil: Do you mean somebody threatened them?

Mr. Mackenzie: Well--

Mr. Ramsay: Mr. Mackenzie, you keep saying the CBC. It is the National Film Board.

Mr. Mackenzie: The National Film Board, I am sorry. I think you might possibly check the battle that went on to get the film out.

The point I am really making in response to one of the questions again is that the question was asked at previous meetings I have been at as to why they did not show the Presolite side of it. The company flatly refused to be interviewed or to do any filming with them or to have any part in the National Film Board film. There is another side of it. It makes you wonder.

Mr. O'Neil: Did they give any reasons for that, Bob?

Mr. Mackenzie: That I do not know. All the director told me was that she made a number of efforts to have a session with them and they refused.

Mr. Chairman: That point does flow right into where we are going this afternoon and tomorrow afternoon. I would like to thank you, Mr. Gill, on behalf of the committee for getting the film for us and for making yourself available both before and after. We much appreciate it.

Could we turn briefly to our agenda? We have a couple of things we should speak to in the next 15 minutes, but please note that this afternoon we will be having representatives--three, in

fact--from Armstrong Cork, the third being the industrial commissioner of the town of Lindsay who will speak, I hope, to the question of Armstrong Cork and perhaps in a more general way as well.

Mr. Van Horne: Mr. Chairman, might I remind you that the Ministry of Labour estimates are starting at one o'clock? Your asking us to remain here for another 15 or 20 minutes could present a problem.

Mr. Chairman: Okay. Then I can even be faster than that. The reason I am doing this is that when we left here on Friday we thought we would deal with Armstrong this afternoon and SKF tomorrow afternoon. In fact, tomorrow, Thursday, November 13, following routine proceedings, we will continue with the Armstrong Cork case study.

Then let me just leave the rest of the agenda, which speaks to the next few days, for you to look at. There are two other important matters we have just been given by Graham White, the clerk of the committee, who has done an awful lot of work over the last few days: the characteristics of some plants that have been already selected on page one, and others that we will have to discuss collectively, as a committee, before we finalize our agenda beyond the point on the typewritten page you have.

Rick Jennings has pulled together some information, I see right on the top, dealing with Armstrong, which, if we can, on the run, we should allude to before we begin our meeting this afternoon.

If there are no other points before the committee, I suggest that we adjourn to meet back here at two o'clock today.

The committee recessed at 12:18 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, NOVEMBER 12, 1980

The committee resumed at 2:09 p.m. in room 151.

ARMSTRONG CORK CASE STUDY

Mr. Chairman: I will call the meeting to order. I would ask those of you who are here now to briefly look at the agenda before us. I will tell you why. There are a couple of suggestions as to how we can make the most intelligent use of this afternoon, and I would like to make a recommendation.

As you see, starting at two o'clock today, we have three witnesses, or three groups of witnesses, starting with Mr. Jack Jordin from Armstrong Cork, followed by representatives from the Amalgamated Clothing and Textile Workers Union and, from the town of Lindsay, Mr. Herb Simpson, the industrial commissioner. The mayor is not here. Mr. Simpson can only be available today.

2:10 p.m.

It was our intention, as reflected in the agenda, to carry on with the case study of Armstrong tomorrow. I would like to make this suggestion: that we sit today from two until five; that in those three hours we hear from each of the three groups before us. That means we give the last portion of today to Mr. Simpson, the industrial commissioner. Nobody will lose any opportunity or time for questioning because we will be able to use tomorrow afternoon, as the agenda suggests.

If that is agreeable, we can judge through our questioning and by looking at the clock how to proceed with the first two representatives. Is that agreed?

Agreed.

Mr. Chairman: That being the case, I would like to welcome you, Mr. Jordin, on behalf of the committee. We did get a very fast start as a committee last week and, because of the time constraint, we doubly appreciate your availability.

I might say, too, that I made reference to the case study approach because that is how the committee wishes to proceed, and Armstrong Cork is the first example before us. Others members of the committee will be coming in the next few minutes. If you are prepared to make an opening statement, Mr. Jordin, I invite you to do so. Just for the benefit of the record, before beginning would you please just give your name and position for Hansard?

Mr. Jordin: Fine. Thank you very much, Bruce. My name is John N. Jordin, but I go by Jack, and soon enough you will determine the fact that I am a Yank. I make no apologies. You can tell by my accent. I am the president and general manager of Armstrong Cork Industries Limited, carpet operations, in Canada.

I chatted with the chairman on the phone the other day when he invited Armstrong to make an appearance before your committee, and he explained what it is that you folks are about. Number one, I would just like to say I applaud the effort. As I understand it, you are trying to learn more about the effects of plant closings and if there is a need for legislation to deal with plant closings and layoffs.

I would just like to say, on behalf of Armstrong and myself, I am very pleased to share our experiences with you and I hope that what we learn here this afternoon, and tomorrow afternoon if necessary, will assist you folks in speaking to those very important issues that you will be facing in the weeks ahead.

I thought that in an opening statement what might get our position established early--and then, of course, you can ask any questions you like--is just to give a brief history--and I will try to be brief--of how it is that we entered the business and here we are about to exit.

Back in 1966, Armstrong bought the Brinton carpet company, Brinton of Peterborough. Quite frankly, it has been a losing proposition for Armstrong since 1966. Along the way, in 1976, some of you may remember that we saw the need to close the old weaving facility in Peterborough, the Peterborough plant. That, quite frankly, enabled us to consolidate our manufacturing operations over in Lindsay; however, that consolidation did not take place until 1978.

The reason it did not take place until that time was the limitation of space in Lindsay. Some may remember that the Linden Valley furniture plant came on the market in 1978. We were able to purchase that facility--it sits on about six acres of land; 27,000 square feet--and at the same time sell our old Peterborough facility to the Peterborough Warehousing Company. That enabled us to move our stock dyed operation over to Lindsay, and also our sample manufacturing operation. I think that was a major step in stopping the bleeding.

In 1978, we were able to turn the corner, if you will. We finally got the business into the black, but just barely into the black. I will be candid with you. We got about one per cent after tax and a 1.7 per cent return on our total investment in 1978. Relative to what we had done in previous years, we were elated with that performance. We certainly congratulated ourselves on a job well done. We stopped the bleeding, and yet I had to hasten to add to our people that this was far from an adequate return.

In 1979, we did even better. We were able to get the profitability up to two per cent after tax, and in the carpet business, as you can see, you do not turn your total capital even two times. Our total return on investment--by return on investment, at Armstrong we mean the return relating the profit after tax to the total left-hand side of the balance sheet, if you will--that gave us a return on investment of 3.6 per cent.

Let me back up a bit. In 1978 it was apparent to us that with our position in the industry, with our market share relative to the share commanded by, well people like Harding and Peerless and Kraus and Coronet, in order for us to have a chance--with no guarantee, just a chance--it was going to be necessary to approve a major infusion of capital into that business. With the anticipated return on investment, we just could not recommend that.

Mr. Renwick: Mr. Jordin, you are speaking about the Lindsay operation entirely at the present time?

Mr. Jordin: Oh yes, everything is confined to Lindsay. We just could not see the justification for that type of investment for what we saw in the years ahead in the carpet business. Back in 1978 we engaged the services of a major investment house here in Toronto, because we said you are either in a business or you are not. Since we were not prepared to support it long-haul, we thought let's see if we can do the obvious thing; that is, sell it.

The investment house set out, on a very confidential basis, to see if they could find a buyer. You probably would expect that the fraternity of carpet mills in Canada is fairly small, and it did not take long at all for some of those who were being approached--"Would you be interested in a carpet mill of such and such a size, located in Ontario?"--to sort out who it was. It does not take a great deal of imagination to recognize the impact that had on our distribution system.

In other words, put yourself in a distributor's place. He learns that Armstrong may be selling. Obviously he is going to protect himself and start looking for alternatives, other sources of supply. That is exactly what started to happen.

Earlier this year we could see that while we were close to a break-even we were still in the red. That was early this year, and through the first half we were still in the red. We projected heavier losses in the second half. We made the decision, of course, which is now public. On July 3 we made our announcement that one way or another we would be phasing out of the carpet business by the end of 1980.

I say "one way or another," because our hope was that we could find a qualified buyer to provide continuing employment for our people. But if that was not to be, it left us with the only other alternative, which was to liquidate it.

2:20 p.m.

Why July 3 and why a closing date of the end of the year? We felt that if we gave six months' notice in this particular case, considering the responsibility we felt we, as a manufacturer, have to the various interests we serve, that, number one, it would provide an opportunity for us openly to find a buyer. In other words, we would not have to operate with one hand behind our back, keeping the fact that we are for sale a secret. While we had inquiries from some people as far off as South Africa and Ecuador, unfortunately nothing came of those expressed interests.

We also had, as some of you may know, a group of employees who explored the feasibility of taking over the operation; however, once they learned that this business is a real capital hog--forget the plant, property and equipment, let's assume you can pick that up at a bargain basement price, the working capital required in the carpet business, just in accounts receivable and inventories, is such that the group quickly saw it was not in its best interests to proceed with any type of an acquisition.

I personally offered my full support to Mayor Jim Flynn of Lindsay and authorized everyone in our organization to assist them with this feasibility study. I was not, however, in a sense going to talk out of two sides of my mouth and say, "It is a bad investment for Armstrong but for you, Mr. Employee, it is a good investment," because in my heart I did not believe it and I do not believe it. Yet I wanted to provide all the assistance we possibly could to help that group reach an intelligent decision, which I feel they ultimately did.

Here we are, November 12. The last operation will cease on Friday. The last carpet will be inspected on Friday. The remainder of the time will be spent in liquidating the remaining carpet; that is, selling it. We will still have some employees there--staff people, accounting types to handle the necessary accounting, some people in shipping to ship the remaining carpet out, some mechanical types to crate up the equipment. We will be using a used equipment broker to dispose of the equipment for us.

Most of you know that we have a carpet operation in the US. I will say right now there are a few items, but very few, that the US operation will be taking. They obviously are not going to be taking the majority, because if it was any good we would be continuing in business.

We invited all of the Canadian manufacturers into our mill and said: "Be our guest. Have a look. Submit bids on what is of interest to you." Some did and others did not. Most of them came. Some did not submit a final bid. There will be some bids that we will be accepting. Perhaps the majority of the equipment, however, will go the used-equipment broker route. Then, of course, we will be listing the property--that is the land and buildings--with a realtor for sale. We hope to get someone in there who will make an investment in a growth industry.

As I told the mayor, it is a difficult thing to swallow and accept right now--this was back in July when I was talking with him--but over the long haul it may be the very best thing for the town of Lindsay. When technology passes a business by, as it did ours, the best course may be to let the economic forces in the market place take their effect.

Yes, it is a difficult thing for the people involved. We felt we treated them fairly. We can get into that aspect later. I am sure you have some questions about our position with our people.

Just a couple of final points and then I will conclude my opening statement, following which I would be delighted to respond to any questions you folks have.

One point I would like to make is that it is not the Armstrong Cork company's intent to close this plant and satisfy this market from the US. Lest I sound too noble, we could not do it if we wanted to, because with the Canadian dollar hovering around 84 or 85 cents and with a 20 per cent duty it is just not economically feasible to do so. I will not say there will never be Armstrong US-manufactured carpets sold up here because there are some styling capabilities in our US operations that are fairly unique and that are not as price sensitive, so in spite of the heavy burden of exchange and duty there still may be a market for certain visuals from that operation.

The other point I would like to make is that a common view of a subsidiary of a multinational is that we, the Canadian management, are perceived as puppets that are manipulated, operated, by our US parent. Obviously I am not going to sit here and say we are completely autonomous, but I will say in our organization we take the position, the management philosophy: "Jack, we put you up there to manage that business. You are there. We feel a decision can be made more intelligently when you are on the scene." We have operated this business with very little interference from the US. Certainly on all the major decisions, like something of this magnitude, they must have the final say in the US. You would understand that.

The final point I would like to make, and then I will conclude my remarks, is that we, the Armstrong Cork company, are not abandoning Canada as a market. On the contrary, we have a very successful resilient flooring operation in Montreal which employs approximately 450 men and women across Canada, and we will continue to support that plant and invest heavily.

I would like to say that plant closings are very distasteful things. This is the second one, unfortunately, that I have been involved with. In spite of the fact that you try as hard as you can to cushion that blow, it is still a very negative thing.

The first one we as a company experienced was our Pittsburg, Pennsylvania, plant. That is where it all started back in 1864, and 111 years later we finally saw fit--and it was an emotional thing--to close the plant where it all started.

In the late 1960s we had to close a couple of cork-associated plants in Camden, New Jersey, and in Gloucester, New Jersey. Again, technology passed these facilities by, not dissimilar to the situation we have at Lindsay.

It is an unpleasant thing, but once we have made the decision to close it--I look back on that Peterborough closing: I know all of our people were interviewed by the press, among others, as they left the plant, and it was reassuring to me at the time to hear them say: "They held on to the thing a lot longer than I thought they would. It was always a good place to work. They took care of us well." It is unpleasant, but I hope that is the way we can make our exit from this business. Thanks.

Mr. Chairman: Mr. Jordin, thank you very much. That was helpful. The background in particular is useful.

I have four members of the committee who wish to ask questions: Messrs. O'Neil, Ramsay, Mancini and Eakins.

Mr. O'Neil: Thank you, Mr. Chairman. Mr. Jordin, I guess you understand the purpose of this committee and why we are interviewing people like yourself, union people, employees, industrial commissioners and municipal people.

You mentioned that you were involved in one other plant closing. Was that the one in Pittsburg that you were talking about?

Mr. Jordin: I personally was not involved in the Pittsburg plant. I was involved in the Peterborough plant closing in 1976.

Mr. O'Neil: How many years have you been in Canada?

Mr. Jordin: I am coming down the home stretch on seven.

2:30 p.m.

Mr. O'Neil: You were associated with just the Peterborough plant and the Lindsay plant.

Mr. Jordin: Yes. I have had the responsibility as the general manager for the corporate operation in that period of time, since 1974.

Mr. O'Neil: It is your feeling that the plant should have closed, then?

Mr. Jordin: Yes. As a matter of fact, I will comment on that Peterborough plant. You ask why we could not have kept it open a little longer, like, say the Lindsay plant. I let this thing speak when this thing should have been speaking back in 1976.

I was the new kid on the block, if you will. I came up here and they said: "Jack, we can make this thing go. All we need is another one of these and another one of those." They convinced me. I approved both the "these" and the "those"; approved some investments in the Peterborough plant. Quite honestly, it was like having a terminal patient and all you do is stick in another thing and keep his heart beating for another couple of months. With hindsight, yes, we kept that plant open longer than perhaps we should have.

In fact, when I came up here from the United States in 1974 the previous management had already decided to close the plant and I reversed that decision. The people convinced me we could make it go a bit longer. I was wrong.

Mr. O'Neil: Were there two separate operations? Why would you have two plants that close together and close one, open another and ending up having to close the two of them?

Mr. Jordin: One was a weaving plant, 100 per cent weaving. Harding had exited from the weaving business in 1973 and

the prior management said: "Harding is getting out of the weaving business. What do we know that they do not know? We had better get out too." We looked at it a bit differently and said: "Maybe it is just a case of a smaller, shrinking market with fewer folks in there operating for the woven carpet. Maybe we can do the job that is necessary." So we tried it.

Mr. O'Neil: None of the weaving was transferred from the Peterborough plant to the Lindsay plant. That was closed out completely.

Mr. Jordin: Weaving is dead, yes.

Mr. O'Neil: Have you any figures that you can give us today as to how much was actually lost in the Peterborough plant, or how much you have lost in the Lindsay plant? In other words, have you lost money or was that 3.6 per cent all the return?

Mr. Jordin: No. I cannot tell you, with what I have here today, what we actually lost in Peterborough. It was substantial. But I am saying we lost from the time we took the thing over in late 1966, through 1967, 1968, until 1976 and including 1976, when we finally made the decision to stop the bleeding.

Mr. O'Neil: Can you give me the exact figures of how much you lost for the Peterborough plant and for the Lindsay plant in each one of those years? What was your total loss?

Mr. Jordin: I can give you that.

Mr. O'Neil: Is it substantial or is it minimal?

Mr. Jordin: Off the top of my head, I would say it is \$100,000 to \$200,000 on an annual basis.

Mr. O'Neil: That would be for approximately how many years?

Mr. Jordin: I will be happy to confirm those figures, but it would be from, say the first full year we had it, which was 1967, on through to 1976.

Mr. O'Neil: You lost approximately \$100,000 in each of these years.

Mr. Jordin: Yes. Some years it was more than that and some less than that.

Mr. O'Neil: What about when you went into these plants? What sort of investment, dollar-wise, did you put into them, from the point of view of property, plant, or machinery?

Mr. Jordin: We did very little in Peterborough, with the exception of what I have just mentioned. In other words, we put in a few what we call double heddle looms, which may not mean too much but we thought that might be the secret to making the business successful.

The Lindsay plant, I would say, is seven or eight times the size today that it was when we bought it from Brinton back in 1966. We have had several expansions through the years. Primarily we have larger facilities and more of them, more tufting, et cetera.

What we did not do, looking back--and I am not saying with hindsight that we should have done it, because school is not out on the investments that some of our larger competitors made--but the investments we did not make were in printing capability; what we call large Zimmer flatbed screens or rotary printing to make printed patterns on carpet. Other investments we did not make were in the area of continuous dyeing. This is another area where other people made investment and we did not.

Mr. O'Neil: When you say "other people," do you mean other people in Canada or the United States?

Mr. Jordin: Both.

Mr. O'Neil: In other words, the company was not keeping up to date on what was happening in the market? What was the reason other companies would be doing it and you would not?

Mr. Jordin: At the time, quite frankly, we were a losing operation. We were wrestling with a losing Peterborough operation and a Lindsay operation that was not a whole lot better off. We certainly could not justify a whole lot of additional capital on a losing operation. Quite frankly, what we had to do, as management, was to get our act in order and get the bleeding stopped, which we finally did in 1978.

Mr. O'Neil: What I am trying to get at is whether the money that was being spent to update other factories or facilities was being spent here in Canada or only in the United States?

Mr. Jordin: It was being done in both places, depending on who it was and the size of the mill. We have about a four per cent market share. I would say not everybody made those investments. The larger manufacturers were able to.

Mr. O'Neil: Did you get any government grants, either provincial or federal, in the acquisition of any property, plant or machinery; or any sort of incentive loans?

Mr. Jordin: No; we did not. The Brinton people, before we bought the plant, had a forgivable loan. But Armstrong did not receive any kind of government assistance.

Mr. O'Neil: No assistance has been given at all since you took over?

Mr. Jordin: No. What we did was to advise the employees that should they see fit to make an investment--a group of them, with the local MP, the mayor and some other people, went both up to Ottawa to Herb Gray's office, and also down here to Larry Grossman's office, basically to say: "Here is our situation. Can you help us?" At both ministries they were advised of what assistance was available.

Mr. O'Neil: What market would the Lindsay plant be selling to--a Canadian market, an Ontario market?

Mr. Jordin: Canadian.

Mr. O'Neil: Strictly Canadian.

Mr. Jordin: Yes; we were national.

Mr. O'Neil: Were you exporting to the United States at all?

Mr. Jordin: No.

Mr. O'Neil: Not at all?

Mr. Jordin: No. We were covered down there with our own.

Mr. O'Neil: Do you have other factories in Ontario or in Canada which produce--?

Mr. Jordin: Not carpet manufacturers, no.

Mr. O'Neil: In other words, when you close up these facilities in Lindsay, how do you propose to satisfy these markets?

Mr. Jordin: We won't. We will not participate in the carpet business in Canada after the end of this year--

Mr. O'Neil: Is that right?

Mr. Jordin: --simply because we will not have a manufacturing presence in carpet and because, repeating what I said earlier, the Canadian dollar and the 20 per cent tariff makes it extremely difficult for someone in the United States to successfully export to here.

Some are doing it, but you can imagine for what kind of profitability. They are using it as plant loaders. When business gets tough in the Dalton, Georgia, area, then you start to see a bit of export; but all they are doing is covering out-of-pocket costs and making a few cents a yard contribution to fixed overhead, that is what they are doing.

Mr. O'Neil: In other words, with the closing of your plant, which is a fair-sized one, who will be supplying the market you previously supplied?

Mr. Jordin: The remainder of the Canadian manufacturers.

Mr. O'Neil: That would basically come down to what companies?

Mr. Jordin: I will mention the major ones: Harding, Peerless, Kraus, Burlington, Coronet, Bigelow and Celanese are the major people. Westmills, out in Alberta, is the only western mill. I apologize if I have missed some of the major ones and slighted some of our friendly competitors.

Mr. O'Neil: Your company is not tied in with any of those in any corporate structure?

Mr. Jordin: Oh, no.

Mr. O'Neil: Not at all?

Mr. Jordin: No.

Mr. O'Neil: They are all separate.

Mr. Jordin: I don't know whether you caught the article in the Financial Post last week. I gather it looked at the condition of the Canadian carpet industry. It is in pretty sad shape. I would say there is probably twice the capacity in place as there is market opportunity. That is what this article pointed out.

2:40 p.m.

They quoted the reason I gave for going out, and they also quoted Bram Garber, the president of Peerless. It is our understanding that they are now the largest mill in Canada. I think Bram felt that with our exit--and I am sure you know that right after we announced, Caravelle Carpet Mills in Cornwall also announced they were closing their operation, they announced it a month or two after we did--well obviously, in his position, Bram welcomed our exit. I think he estimated that between Caravelle and ourselves seven per cent of the market share would now be available for the remaining Canadian mills.

Mr. O'Neil: You mention what the market is like in Canada. What about the United States, with your own company? How many plants do you have there, what layoffs have you had, or how many plant closings?

Mr. Jordin: We have quite a few plants in the US operation. Business is not good in the industry down there. To answer your first question, we have major tufting plants in Dalton, Georgia; Marietta, Pennsylvania; and Winchester, Tennessee. We have what we call satellite support plants that either dye fibre or spin yarn in Allatoona, Georgia; Fort Mountain, Georgia; Trenton, Georgia; Keyesville, Virginia; Beech Creek, Pennsylvania. Then we have a backing plant, that makes primary polypropylene synthetic backing, in Charlotte, North Carolina. That is essentially the carpet operation.

The second part of your question was, have we closed any. We have not closed any of those plants, but there are substantial layoffs in all these plants at present, reflecting current business conditions in the US carpet market.

Mr. O'Neil: You would say, then, that the closing of the Lindsay plant was done strictly from a financial point of view, return on investment?

Mr. Jordin: Very definitely yes.

Mr. O'Neil: Another thing we have discussed in the committee is wage structure. Maybe you could comment.

Mr. Jordin: We were not uncompetitive because of wages. We do our surveys. We all compare relative wages, certainly with the Ontario mills. I would say we fell around the middle of the pack. What you try to do is make sure you can pay a high enough wage to get the kind of people you want to get in the Lindsay area. That is your labour market; that is where you are competing for the labour. There are people there in different types of businesses that we know we cannot compete with. Whenever General Motors is hiring, we notice that we have some people go down there--which just reminds me of another point.

We have enjoyed excellent working relations with our union people in that Lindsay plant. That is one of the major selling points that I, personally, tried to use to some other people who expressed an interest. You are saying, "You said you would not recommend the sale." I would recommend the sale to another Canadian carpet mill, because I think they could eliminate some common costs. In other words, they could take the manufacturing contribution out of that plant and not have the cost of a marketing organization, administrative expense, et cetera.

I told Bram Garber, the president of Peerless, I thought he ought to buy it but he did not agree. I really think that for someone who is obviously committed to the business, as Peerless is, or any other of the larger mills, the biggest thing we had to sell--we certainly do not have technology to sell--was, we thought, a pretty good distribution system; and we knew we had an excellent labour force in Lindsay.

The attitude of those people is nothing short of amazing, really. It was business as usual, virtually to the end. We experienced very little deterioration of productivity or quality. Maybe we were not one of the more successful mills, but we always had quality help. We have always felt we had a top flight group of folks there, which again made this decision all that more difficult.

Mr. O'Neil: I wondered at your comment that as it was Canadian-owned rather than American, it could possibly be more competitive because of certain charges or things that would be sent back to the United States. I wondered what you meant by that.

Mr. Jordin: No, that is not what I meant. Take you, for instance: if you were going to invest in a carpet business, I would tell you, as a friend, that it is a bad deal, to put your money in Canada savings bonds and relax. I tell the employees the same thing. I would feel very bad if I knew one of our employees mortgaged his home or took his life savings and put it in that plant, and he lost everything in another year.

What I am saying is that someone else who is in the business, whether they are in Canada, the US or wherever, who has data processing, if you will, to handle all the billing and

accounts receivable; if they have a marketing organization in place; if they have management there; they could eliminate all the cost that we, Armstrong, had. They don't need our marketing organization, and they would probably have to add very little in the way of additional marketing costs, additional administrative charges. They could superimpose the Lindsay product line on top of their existing distribution, which they already have in place.

That is the only way I could see logic in somebody buying the thing; not as an investment, looking at it from the point of view of a new person or persons, but having a syndicate, if you will, which was already in the business, buying it.

Mr. Chairman: I would like to remind you, Mr. O'Neil, as I indicated to the committee last week I would do, four of your colleagues are waiting to speak.

Mr. O'Neil: That's fine, Mr. Chairman. Go ahead.

Mr. Ramsay: Mr. Chairman, in the interests of time and in view of the fact that the questions Mr. O'Neil asked were basically the kind of questions that I was going to ask, and also because the member for Victoria-Haliburton (Mr. Eakins) is here, and he is the member for that particular area, I think I will pass on this occasion.

Mr. Mancini: Thank you, Mr. Chairman. Mr. Jordin, I would like to get to know a little more about the corporation, especially the parent corporation which is called, Armstrong World. Is that right?

Mr. Jordin: Yes; it is now Armstrong World. We finally got rid of the "Cork" this year. It all started with young Tom Armstrong carving corks, back in 1864, and we no longer have any cork. We tried to change our name in 1977, and World Carpet Industries, in Georgia, sued and said, "We own the name World; you can't use it." We disagreed and went to court. They lost, so now we are Armstrong World Industries.

Mr. Mancini: What does Armstrong World do besides work in the carpet business?

Mr. Jordin: They are best known, I think, in the resilient flooring business--the no-wax floors, Solarian floors; I am getting some plugs in--they have been number one in that business, worldwide, for some time. They are also involved in the business of ceilings for commercial installations--banks, office buildings, schools, et cetera; and also for do-it-yourself installation. We are also involved in gasketing materials for the automotive industry.

Mr. Mancini: You supply parts to the automotive industry?

Mr. Jordin: No parts; just the friction materials and gasketing that goes into the engines and elsewhere--felt deadeners and this type of thing. We make what we call cots and aprons for the textile industry, and we also are involved in the furniture business. We bought Thomasville furniture company back in 1968 and

have been involved in the furniture business since that time. That is basically it.

Mr. Mancini: What would the profit picture be for Armstrong World?

Mr. Jordin: I think it was in the paper the other day. Armstrong earned \$66 million in 1979. This is public information.

Mr. Mancini: Is that after taxes?

Mr. Jordin: Yes, this is after tax.

Mr. Mancini: Sixty-six million dollars?

Mr. Jordin: Yes, and then in the first quarter of this year the earnings reflected an improvement of 20-odd per cent over the first quarter of 1979. I know there was a deterioration in performance in the succeeding quarters, the second and third quarters. This is public information.

Mr. Mancini: Yes, thank you very much. You mentioned earlier that the plant in Lindsay lost anywhere from \$100,000 to \$200,000 per year. How much of the loss was any type of management fee that you had to pay to the parent corporation?

Mr. Jordin: That was all Canadian. The only management person who is an American is me, if you want to look at me as an American. I am the only one in that figure.

Mr. Mancini: The plant in Lindsay did not have to buy any services whatsoever?

Mr. Jordin: Not from the parent company. We had administrative expenses allocated to us from our Montreal corporate headquarters.

Mr. Mancini: How much would that be per year?

Mr. Jordin: Too much. I jokingly say too much because in my position I always complained that it was too high. I think it was about three quarters of a million dollars in 1980--close to that.

Mr. Mancini: What services did you receive for \$750,000 a year?

Mr. Jordin: All the data processing, primarily. That was the biggest hunk. Billing, accounts receivable, credit administration, personnel, the traffic and transportation department; and, of course, I am in there too.

Mr. Mancini: I want you to help me here. Do you feel a Canadian-owned company would have to pay three quarters of a million dollars a year for the same type of services you received from Montreal; secondly, was that fee imposed on you by Montreal by order of the parent corporation?

Mr. Jordin: Oh no. It is on an effort analysis basis. In other words, each staff head down there decides what he needs to satisfy all the business requirements. Then what they do is decide, "Okay, we spent X per cent of our time for carpet, we spent X per cent for resilient, and so on," and then it is based on that allocation. I think this is fairly common, no matter whether you are American or German or what you are.

The other question you asked about a Canadian-owned company: I think probably the simplest thing to do is to look at a Canadian-controlled company that reports publicly--Harding does and Peerless does--and see what its administrative expenses are.

Mr. Mancini: Do you think it would be approximately the same?

Mr. Jordin: Not aggregate dollar-wise. It would be more. But as a per cent of sales, say. Administration usually runs in somewhere around the four per cent figure.

Mr. Mancini: It seems like an awful lot of money.

Mr. Jordin: It does to me too.

Mr. Mancini: I would like to ask why your parent company, after having made \$66 million profit after taxes, was not prepared to invest some of that profit in new technology for Lindsay? Why were you unable to convince them to do this? The reason I ask this question is because you mentioned earlier that technology had passed you by.

Mr. Jordin: Probably the company was more than fair. If you look at 1967 to 1980--well, let's back up. I told you we broke into the black in 1978, so let's stop at 1977. There were quite a number of years--

Let's assume we were not part of Armstrong. Of course, I often reminded our people of the fact that if we did not have a bankable operation by 1973 or 1974, somewhere in there, we would not be able to finance this business. It was only due to the financial strength of the parent company that we were able to hang in there as long as we did. On the contrary, we did make a number of investments over the years. I was just singling out some of the areas where investments were not made.

I am not saying that with hindsight we should have made them, incidentally. I am saying we did not make them. Others did make them. School is not out on whether that was a wise decision on their part. Our competitors saw the business one way and they did what they had to do. We looked at it at that point in time. We saw the market opportunity, the anticipated return, in one way, and we did what we had to do. And we will rest on our decision.

Mr. Mancini: Let me ask one other question: Were your losses over these years book losses because of depreciation of buildings, equipment and machinery?

Mr. Jordin: That is one of the elements of cost that is in there, of course.

Mr. Mancini: Was that major?

Mr. Jordin: If you are asking if that is why we lost, no. To answer your question, depreciation is a part of our costs on our accounting system.

Mr. Mancini: Would it be substantial?

Mr. Jordin: No, the depreciation factor is not substantial.

Mr. O'Neil: What sort of depreciation would you have on the total picture?

Mr. Jordin: I can confirm these figures with you later but, if you will forgive me for going off the top of my head, I would say that our depreciation was south of \$400,000 on an annual basis.

Mr. O'Neil: You would put your total assets at how much?

Mr. Jordin: Our total assets? When you say "total assets," that's the left-hand side of the balance sheet.

Mr. O'Neil: Yes. In other words, if your depreciation is \$400,000 a year, what sort of a depreciation would you be writing off each year then?

Mr. Jordin: Four hundred thousand dollars.

Mr. O'Neil: What total would you value all your assets at then?

Mr. Jordin: This is why I say I qualify it. Our total left-hand side of the balance sheet--that is, cash, accounts receivable, inventory, plant, property, equipment and land, which is not depreciated--is around \$11 million.

Mr. O'Neil: For the Lindsay operation alone.

Mr. Jordin: Yes.

Mr. Chairman: Mr. O'Neil is in the real estate business and he understands that you do not depreciate land.

Mr. Eakins: He's looking for a listing.

Mr. Jordin: Would you like to buy a plant? See me after.

Mr. O'Neil: I think there would be a conflict of interest on this.

Mr. Mancini: I am not an accountant so you are going to have to help me out, Mr. Jordin. You said you depreciated \$400,000 a year.

Mr. Jordin: Yes, it would be roughly \$400,000 a year.

Mr. Mancini: And your losses were between \$100,000 and \$200,000.

Mr. Jordin: Yes, after tax. In other words, if it is \$100,000, it was \$200,000 before.

Mr. Mancini: If there were no depreciation in those years when you depreciated \$400,000--

Mr. Jordin: You could add that back. You are getting back to cash flow, right?

Mr. Mancini: No, you are getting back \$300,000 over.

Mr. Jordin: Yes, but that is how we refer to it. I am an old accountant and that is why I'm helping you. That is referred to as cash flow. In other words, take your profit after tax, add back your noncash costs--depreciation is one of them--

Mr. Mancini: My simple question is: Wouldn't that put you in a profitable position?

Mr. Jordin: No. That's not profit; that's cash flow you are talking about. It is that cash flow that enabled us to hang in there as long as we did.

Mr. O'Neil: Mr. Mancini, before you leave that particular area, I wonder if I could have another supplementary?

If you are successful in moving this property and your equipment--if you are able to get anywhere near what you are asking for--you should come out pretty well financially; in other words, recapture a lot of the losses you have had over the years.

3 p.m.

Mr. Jordin: Oh, no. We would never have a prayer of recapturing the losses over the years. Our hope is that we can lessen the blow of the cost of exiting the business. You know, the total severance cost is a pretty heavy amount.

I did not mention earlier that when we arbitrarily selected a six-months' notice there was a cost associated with that six-months' notice. We felt it was the right thing to do for the reasons mentioned: It gave the people more time to find a job; it gave us more time to try to sell the business; it gave the wholesalers more time to find another line. But there was a cost associated with it.

For our business I had to make some concessions to our distribution system. I said, "I'll support you to the end of the year if you support me." But put yourself in their position: "Why should I support you? There is plenty of carpet out there. I'll go out and get somebody tomorrow." Then I'm dead in a month or two. Since I wanted to keep that plant running and keep the fellows working as long as I could I had to make a price concession, and

there was a cost associated with it. Our margins, which are the difference between direct operating costs and sales, severely deteriorated after the closing.

Now, I think it was the right thing to do, but there was a cost associated with it. I would do it again.

Mr. Mancini: I would like to get back to the profit and loss question, Mr. Jordin. I believe we established that you had \$300,000 a year cash flow. I would insinuate that that is profit, but you call it cash flow.

Mr. Jordin: Understand that the \$400,000 depreciation figure would be one we probably had in 1979-80. Back in the earlier years--

Mr. Mancini: But it was all relative.

Mr. Jordin: It would be relative, yes.

Mr. Mancini: Did your company use that money to pay off debts or to expand or to buy new equipment? What did the company use the cash flow for?

Mr. Jordin: What you are talking about is the source and use of funds. It is very difficult to identify where cash came from and where it went. The only way you can do, if you attempt to analyse it, is to go through what we call a source and use of funds statement that any business prepares.

Mr. Mancini: Yes, but you were the manager for the last seven years and I am asking very basic questions. I am not an accountant and I cannot ask it in your jargon. My question is simply what did the money go for? If you had \$300,000 cash flow through a period of a year, did you use it to buy new equipment, to alleviate your debt? For what purposes was the money used?

Mr. Jordin: I am saying it was used for all of those reasons. The only way to do service to your question would be to show a source and use of funds statement, saying the cash came from these sources and it was used for these sources. Those sources would be for additional inventory investments--that requires cash; additional accounts receivable--investment requires cash. The carpet goes out the door and you bill the guy and you do not get your money for 60 days: that cash has to come from some place.

Mr. Mancini: But that was already taken into consideration.

You said that your property, building and machinery is worth approximately \$11 million today.

Mr. Jordin: No. I said the total left-hand side of the balance sheet, the total capital employed in the business, was roughly \$11 million.

Mr. Mancini: What were your startup costs at the Lindsay plant--to purchase, et cetera?

Mr. Jordin: You mean back in 1966?

Mr. Mancini: Yes.

Mr. Jordin: I cannot tell you. I can get the information, but I do not have it with me.

Mr. Mancini: Is it your opinion that if you were to sell everything that is there now in Lindsay at a reasonable price, and taking inflation into account, Armstrong World would get back its original investment?

Mr. Jordin: No, no way.

Mr. Mancini: How much of the original investment do you figure Armstrong World would lose?

Mr. Jordin: Of the original investment?

Mr. Mancini: Yes.

Mr. Jordin: To answer your question properly, I would prefer to look at the thing. I am pulling figures off the top of my head here and I think these are pretty important questions that you are asking. Obviously we were losing every year. The small profit we had in 1978-79--

Mr. Mancini: I have difficulty accepting your saying you were losing because your cash flow picture does have a bearing on that.

Mr. Jordin: There is no mystery about depreciation. It is a very real cost.

Mr. Mancini: I think it has a large bearing on this. When you tell someone initially that you lost \$100,000 a year, it is a little different than when you say, "Yes, but \$300,000 or \$400,000 of that was because of depreciation, and we used that cash flow in order to relieve part of our mortgage or to buy new machinery," which, of course, makes the business more valuable in the long run also. I have trouble accepting it.

Mr. Jordin: You seem to be suggesting or implying that depreciation is something we should forget about.

Mr. Mancini: No, I do not say we should forget about it, but I think we should also include it as part of the overall picture. You seem to be dismissing it altogether.

Mr. Jordin: Oh no, not at all. If I am, I apologize. If you spend \$1 million in 1980, and, let's say, you have a 10-year write-off, you are going to have \$100,000 against your revenues in each of those succeeding years. It is as simple as that. To me that is a very real cost. You are charging off what you spent for

your \$1 million last year: \$100,000 this year, \$100,000 next year and so on in each succeeding year.

Mr. Mancini: I will be done in a couple of minutes, Mr. Chairman.

I want to get back to the point where you said, "Technology has passed us by." Being such a large corporation and with your parent company having such a large profit and already being established in Lindsay and having the work force there, et cetera, and all of the other good things you mentioned, why was it impossible to use that profit to catch up with technology?

Mr. Jordin: Oh, it was possible. The money was there, but I did not feel the return on investment was there. I have a responsibility to my management. They had the capability. I do not mean to say we were poor or we could not afford it. But just because you have the money you do not spend it. You have to justify that: "Why should we spend it? What are you going to get from me? What kind of a return are you going to get?"

Mr. Mancini: Why are you closing down then? You have told the committee, "Technology has passed us by."

Mr. Jordin: That's right.

Mr. Mancini: Is it the technology or is it that you could not compete even if you had the technology?

Mr. Jordin: I am saying that technology has passed us by. We did not make certain investments. The reason we did not make those investments is because the anticipated return on them was far from adequate. All you have to do is look at the carpet industry in Canada and look at the dominant factors in there and look at their return on investment, and you answer the question as to whether you consider it adequate. We do not. They made the investments and we did not, and we feel we made the right decision.

Mr. Mancini: One last question: Does Armstrong World have any plans to service the Ontario market in the future with an operation in the province?

Mr. Jordin: You mean any kind of an operation?

Mr. Mancini: Yes.

Mr. Jordin: No plans that I am aware of at this particular point, but I can see no reason why we would not. It is a lucrative market. It is just not in the cards for us to continue in the carpet business, but I could see the time eventually where--

Mr. Mancini: Let me be more specific. Do you have any plans to get back into the carpet business to service the Ontario market?

Mr. Jordin: Oh no, absolutely not.

Mr. Mancini: You have written that right off of your corporate business.

Mr. Jordin: That's right.

Mr. Mancini: Armstrong World has said: "That's not for us. We'll let our competitors take that up."

3:10 p.m.

Mr. Jordin: You may have missed what I said in my opening statement. The reason we are closing is not so we can satisfy this market out of the US. If you see some Armstrong US-made carpet in the Canadian market some time next year, I suggest it will probably be because that carpet has some unique feature about it that enables the company to export it with the heavy duties and the heavy Canadian dollar.

Mr. Mancini: Does your plant in Montreal make carpeting?

Mr. Jordin: No.

Mr. Mancini: You could not service Ontario through it?

Mr. Jordin: No, it is strictly sheet vinyl flooring and tile.

Mr. Mancini: I would like to close now and thank the chairman for his indulgence. The only comment I would like to make in closing is that possibly if the parent company had been Canadian, and if it had made the kind of profit Armstrong world made, it might have given a second consideration to the plant in Lindsay.

With all due respect to what Mr. Jordin has told us, because the loyalties of your company do lie outside our borders and even though it has you here as its spokesman, it really is not Canadian and it really may not have the same feel for the matter as would a totally Canadian-owned company. That is just a personal opinion. It is not a slight to you, sir.

Mr. Jordin: I would like to say in response that I have been up here long enough to have a great deal of respect for Canadian businessmen. I like to believe a Canadian-controlled company would have been as smart as we were and made the same decision.

Mr. Mancini: Sixty-six million dollars is almost as much as an oil company makes.

Mr. Jordin: That is right. Maybe they make \$66 million because they made the right decisions, right?

Mr. Mancini: I do not know.

Mr. Eakins: Many of the questions I would have asked have been covered generally by my colleagues here and no doubt will be covered by the other members of the committee.

Mr. Jordin, we appreciate your appearing before the committee. It would appear you are the only employee in Canada who is not affected by the plant shutdown. Is that true?

Mr. Jordin: That is right.

Mr. Eakins: Have you at any time had any union problems, any problem with the employees? Have there been any labour problems in recent years?

Mr. Jordin: I will not claim any reason for it, but no. We have had excellent relations.

Mr. Eakins: Good relations with the town of Lindsay?

Mr. Jordin: Yes, I would think so.

Mr. Eakins: I am rather interested, of course, in the Armstrong shutdown because it affects the area I represent and one where I know the background very well. I find it rather disturbing and, I suppose, hard to believe that in a period of 13 to 14 years you would be at the stage of closing Armstrong in Lindsay. You originally opened in 1966, taking over from Brinton.

Mr. Jordin: That is right.

Mr. Eakins: In 1966 one of the conditions was that the town of Lindsay would put together some 50 acres to assist with future expansion. Is that correct?

Mr. Jordin: That was before my time, but that very well could have been done.

Mr. Eakins: Well, it is true. There were 50 acres put together. You have had about three fairly quick expansions. Is that true? Would you tell us about the expansions of the company? They occurred in 1968, 1969 and 1974--something like that?

Mr. Jordin: Yes, 1974 was the last one.

Mr. Eakins: It would appear to me then that you really were looking forward to the future there when you made your expansions in 1968, 1969 and 1974. Then, of course, in 1978 you took over the Linden Valley plant which became available.

Mr. Jordin: So we could consolidate our operations. We were still conducting some manufacturing in Peterborough, which made little sense. That is right. In fact, the city assisted us--not financially but, as you will recall, we swapped some land with the city.

Mr. Eakins: In 1978, with Linden Valley, with some of the acreage which had been put together. I suppose one of the questions many people affected are asking is why other operations are continuing to move ahead and Armstrong is not? These questions have been asked of you. Could you enlarge further on the problems of the carpet industry in Canada as it affects Armstrong?

Mr. Jordin: The only thing I can say in response to that is it depends on how you define moving ahead. There are companies, certainly, today that are very large and I do not think it is proper for me to comment on their success or lack of same.

My feeling about what happened, the reason we have the situation in the industry today that we have, is that if you look back to the mid-1960s when we came in, yes, there were heavy investments made by a lot of mills. The industry was growing at a rate of roughly 15 per cent per year and, I think, as a result, a lot of capacity was put in place in those years, with the result--and I do not think my associates, our competitors, would argue too much with the figures--that today there is probably a capacity in place that represents maybe twice the market opportunity that exists.

When you have that situation, you tend to price your goods, your merchandise, in such a way that you say, "It is better to run that operation and at least get my out-of-pocket costs, and I will make a contribution to some of the fixed overhead."

We find that we are in a business where double-digit inflation is the byword. Petrochemical-type derivatives--nylons, synthetic fibres--are the bulk of the raw materials in the carpet industry and they certainly are going up at a double-digit rate. Energy; well, we all know what is happening to energy itself. Energy is a major expense in our business. Wages and salaries are increasing at approximate double-digit rates.

We are looking at an industry with margins already squeezed that is projected to grow at a rate of three per cent a year over the next five years. That comes from Du Pont of Canada's annual survey and we and, I think, others in the industry, find its projections, which we all have used over the years, have been pretty accurate. It is an industry where the old basic economics--the law of supply and demand--are at work here: you have an abundance of supply and insufficient demand.

In 1980, the thing that compounded the situation, of course, was that interest rates skyrocketed and mortgage money dried up and housing starts stopped. That obviously had a severe impact on the carpet business, both here and south of the border. I would hasten to add that our decision was not based on a short-term loss--"1980 is bad, so we are getting out"--and that is why I was attempting to give the picture that it was certainly not a precipitate type of thing. We limped along for a number of years before we finally came to the very, very difficult decision that it is no longer a growth industry.

We say you are either in a business and you support it or you are not in a business, so we had to either make the commitment that we were going to move ahead progressively and make major commitments of capital when the return was just not there or get out.

Mr. Eakins: Why would the return not be there if you brought your machinery up to date? Could you tell us about your machinery? Is it out of date? Was there a problem with the

machinery? Should it have been updated and, if so, why wasn't it?

Mr. Jordin: Some of the machinery is out of date. For instance, we have what is called stock dyeing and piece dyeing where you use dye becks, which today is an inefficient way of dyeing carpet. A more efficient way is what we call continuous dyeing range.

In the spinning area, we have an old woollen spinning system in that plant. A more efficient system is a parallel spun type, a semi-worsted spinning system.

3:20 p.m.

In the yarn preparation, where you heat-set the yarn after it is twisted to get what we call its end point and tuft definition retention, we put it in an autoclave. There are new systems on the market that enable you to continuously heat-set, which is a more efficient way of setting the yarn.

What I am saying is that if you were to continue in the business these are investments you should make to support the business, and in our opinion the anticipated return in a business that is only going to grow at roughly three per cent and looking at the profitability of the total industry--take the manufacturer who is the very, very best, the most profitable carpet manufacturer, and look back over the last five to 10 years. To our standards, it is highly unsatisfactory.

Mr. Eakins: Why would you say that others can do it and you cannot?

Mr. Jordin: Others are satisfied. We are not in the textile industry, but look at the textile industry. They are satisfied with a lower return. They can do it. We could do it, but we are not satisfied with a lower return on investment.

Mr. Eakins: Not even with the good climate you have acknowledged, good employee relations, good municipal relations, new plant. You could not still be competitive?

Mr. Jordin: We could be competitive in the industry and perhaps do as well as these other people. What I am saying is that to do as well as the best are doing is not satisfactory.

Mr. Eakins: In other words, you feel you want a higher standard than your competitors.

Mr. Jordin: Absolutely. We have better alternatives for that capital, as a corporation.

Mr. Eakins: You were mentioning your dye plant. You have your own dye house there and your dye plant there.

Mr. Jordin: Yes.

Mr. Eakins: Should great changes be made in that particular area?

Mr. Jordin: We still use them and can use them. Other people do use dye becks. What I am saying is that the cost per yard is more efficient in a continuous dyeing range but, yes, we still have our six dye becks to piece-dye carpet and we still have the stock dye kettles for stock dyeing.

Mr. Eakins: What about the severance assistance to the employees on closing?

Mr. Jordin: The severance arrangements?

Mr. Eakins: Yes. Could you just outline for the committee the severance arrangements?

Mr. Jordin: Yes. The severance arrangements were basically one week's pay for one year's service.

Mr. Eakins: Did you have an early retirement policy?

Mr. Jordin: Yes. You said severance. In the early retirement area, we supplemented early retirement pensions.

In other words, if you were eligible for retirement at age 55--anywhere from 55 to 65--and your pension at age 55 would have been, say, \$300 a month, but had you worked until age 65 it would have been \$400 a month, we as a company will supplement that pension. The pension plan will pay him the \$300 directly and what we are doing is giving him the \$100. In other words, he is retiring with a pension that would be the same amount as if he had worked at his present salary to age 65.

Mr. Eakins: Was this acceptable to the employees?

Mr. Jordin: Yes, I think so. It was something we did in 1976 at Peterborough and it certainly was well received, and it was something we felt we wanted to do in 1980 as well.

Mr. G. Taylor: Could I ask a supplementary there, Mr. Chairman? Did you have a manpower adjustment committee or anything of that nature and, if so, what were the recommendations of that committee and how did it operate?

Mr. Jordin: Yes, we supported the manpower adjustment committee in 1976 in Peterborough and we currently have such a committee in place. It has had some success. I can give you statistics, if you like, as to what its success is to date because that is one area I thought would be of interest to the committee.

Of the 54 salaried people we have, 38 requested help and 17 have located new employment through the manpower adjustment committee. Of 217 hourly people, 119 asked for assistance and 29 have located employment. That was at the time I left the plant. There may be others now.

In addition, the committee has been contacted by Prowler, which makes recreational vehicles across the street from us there, and Trent Rubber Services--two good companies in Lindsay--and also by Nashua, a paper products manufacturer in Peterborough. They

very recently contacted our committee and, although I do not know what the numbers are, they are interested in employees for a January starting date.

Obviously we would like to see 100 per cent, but that is not to be. With the economic climate that unfortunately surrounds us in the Peterborough-Lindsay area, we are pleased that we have had at least this degree of success.

Mr. G. Taylor: Did that committee consider operating the plant and continuing it?

Mr. Jordin: The manpower adjustment committee as such did not consider it. The group that did consider taking over the plant--there may be some of the same people--was a group of hourly folks, a group of salaried people and, in addition, the mayor had some businessmen in town interested. They all got together and, as I said earlier, we offered the support of our staff people to help in any way they could. They looked at the opportunity and they obviously felt it was not in their best interests to take it over.

Mr. Eakins: I think it is fair to say that we met with the Ministry of Industry and Tourism and this particular area was discussed, and I believe there was a committee set up to look into it. I am wondering if this is a fair question to ask: Do you anticipate other plant closings among your competitors because of the problems in the field? Have you heard of any problems since, or are you an isolated case?

Mr. Jordin: On the one hand, it is improper for me and I am not going to mention names. I know who they are but I will not do that. But if you read the Financial Post article last week, the same one that I have made reference to, the statement was made that it is rumoured there will be at least two more manufacturers in the carpet business who will be announcing their closing, I think it said before the end of the year.

Mr. Eakins: Do you see a spinoff affecting employment because of your closing? I am thinking of the outlets that you serve. Will your outlets be taken over by, say, competitors in the field in Canada, or do you think there will be layoffs because of your closing? Will there be a spinoff in other areas?

Mr. Jordin: I think there will be a benefit to the remaining competitors, and I think that is what you are asking. There was an article in the Globe and Mail, I think on Tuesday, that made mention of one of our competitors. Again, I will not mention the name of the company. It was an analyst's opinion. He was analysing this particular company and made reference to its carpet business. It said that perhaps with Armstrong's and Caravelle's exit from the business they may be able to hang in there.

Mr. Chairman: Would you permit Mr. Cureatz a brief supplementary here?

Mr. Eakins: Sure.

Mr. Cureatz: Thank you. I am sorry, Mr. Chairman, but I am chairman of the general government committee and it is difficult for me to be in two places at once, as some of us find from time to time. I am just curious about the operation of the committee in placing the employees. Could you envision that a better service could be performed by that committee if more funds were allotted to it by either the provincial or federal government?

Mr. Jordin: No, I do not. I think it is a situation where you can fund it all you want but if the jobs are not there, I really do not think that is the answer.

Mr. Eakins: You have some employees in Dalton, Georgia, I believe. Are there a number of employees from the Lindsay plant that are in Dalton?

3:30 p.m.

Mr. Jordin: We have Harry Pharaoh. I guess you knew Harry. He is not in Dalton; he is in Fort Mountain. We are very proud to have Harry as a Canadian. He is a very successful plant manager in one of our spinning plants in Fort Mountain. Yes.

Mr. Eakins: Will his job be secure with the operation?

Mr. Jordin: Down there? I certainly hope so. Our action here has nothing to do with his future. We are saying in another way that, if Harry were still here, he would probably have a problem.

Mr. Eakins: Those are all the questions I have at this time.

Mr. Chairman: I would just take this opportunity to remind the committee that we have two other groups to hear from. It is 3:30 and we have Mr. Renwick and Mr. Taylor on our list now. If that completes the questioning of Mr. Jordin, may I suggest a fast three- or four-minute coffee break at the conclusion of this part of the afternoon.

Mr. Renwick: First of all, Mr. Jordin, let me say I appreciate very much your coming on such short notice. We recognize it is short notice, but we were anxious to get the committee off the ground as quickly as possible. We felt that the shutdown of your company was topical and typical, if I may say so.

Mr. Jordin: At the beginning of the alphabet too.

Mr. Renwick: Yes. I have something of a very real concern, but let me ask a couple of preliminary questions or requests, since you will be back again tomorrow. Could we, by tomorrow, have a corporate structure chart showing the relationship between your parent company and your company in Lindsay, Ontario?

Mr. Jordin: Sure.

Mr. Renwick: Would that be possible? Secondly, could we

have your audited financial statements for the Lindsay operation for the last four, five or six years since you came to Canada, including your source and application of funds statement?

Mr. Jordin: Mr. Renwick, these are what we normally call the company jewels. I know the committee's subpoena power, but my hope was that I could speak to the issues and answer your questions.

What I am saying is that as a corporation we do not publish the information, the results, about a subsidiary. They are normally not available. If it is the feeling of this committee that this information is required to assist you with your charge as a committee, then I guess we obviously must respond. My only request then would be, if this is possible, that they be tabled in confidence.

Mr. Renwick: Obviously your objection was not unanticipated. I appreciate your indication of co-operation.

Let me just say this about it. First of all, you are leaving the carpet business in Canada for good for practical purposes; therefore, it is history and you are not going to be hurt by it. Secondly, it is most important from our point of view to be able to understand in a coherent way what has happened over the last five or six years that happened to coincide with your appearance in Canada.

Certainly I would like us to have it. We are not particularly anxious to use subpoena powers to get information. It usually means you get bogged down in the process.

Would you seriously consider letting us have those statements for the committee and letting us have them publicly? We have problems about confidentiality of documents, as to who has access to them and what we do in dealing with them, because we are a public committee transacting public business and we like to do it in public.

Mr. Jordin: Again, I can only repeat what I said, Mr. Renwick.

Mr. Renwick: I understand.

Mr. Jordin: I happen to be a member of a large corporation that has a policy that the results of subsidiaries are not public information. I have to respect that policy, which then, I am sorry to say, leaves you in the position--as I said, if you wish to subpoena the records, then subpoena you must.

Mr. Renwick: All right. We will have to take that under consideration then.

Mr. Chairman, perhaps we can make a note to take that matter up ourselves, as a committee, and decide what we want to do about it. It seems to me essential that we have that kind of information if the work of the committee is to be useful.

I just want to narrow the field. You were serving the Canadian market; you were not serving the export market and you were not importing any carpeting from the United States. Is that a fair statement?

Mr. Jordin: Yes.

Mr. Renwick: You were exclusively a Canadian manufacturer, supplying the Canadian market, and there were no outside marketing operations going on.

Mr. Jordin: No. That's right.

Mr. G. Taylor: Just a minute, Mr. Jordin. Did you not say you could possibly bring it in?

Mr. Renwick: No. That's in the future, Mr. Taylor.

Mr. Jordin: I am talking about the future, when we could. It is not our plan. Unlike some other folks who have a branch plant in Canada, close it down and satisfy the market from their American or other mill, that is not our plan. I also hasten to add that we could not really do it with the majority of the products if we wanted to, with a 20 per cent duty and an 84-cent dollar.

Mr. G. Taylor: I just did not want you to get caught, if you might have brought some little item in and somebody later on--

Mr. Jordin: Years ago, before the dollar swung around--and that goes back a number of years--we brought in some printed product that we did not have the capability to produce, but it was very little. But to answer Mr. Renwick's question, for the last four or five years we have operated out of the Lindsay plant exclusively and satisfied only the Canadian market.

Mr. Renwick: Let me try to get at my gut feeling about the problem. I keep saying to myself: "Why, why, why? Why are you closing down up there?" I want to try to get at it in a way that will be satisfactory. Of course, I am indebted to some of my colleagues for some of the questions they put which seem to have put the matter into focus for me.

Let me say at the outset that your track record since your arrival in Canada would appear to me to be downhill all the way. You arrived in 1974 when the managerial decision to close down had already been made by the preceding management, if I understand you correctly.

Mr. Jordin: To close down the Peterborough operation.

Mr. Renwick: The expansion of the business ended in 1974, coincidental with your arrival. In 1976 you closed the Peterborough weaving operation. In 1978, having gone through a consolidation of your operations in Lindsay, you immediately put out feelers with respect to the sale of the business, even though you had, to use your phrase, "stopped the bleeding and turned it around" by that time.

Mr. Jordin: We felt we might have a more saleable business if it showed a profit, as opposed to trying to sell something that was still losing money.

Mr. Renwick: Let me go back, if I may, to the instructions under which you came to Canada. What were your instructions as to what you were to do with the Lindsay carpet operation?

Mr. Jordin: My instructions were to try to manage the business as effectively as I could. The first objective was to get the business out of the red and into the black. If your question is meant to ask this, there were no instructions saying, "Go up there and get it into the black so we can sell it."

At that particular time we had not given up. We still felt there might have been an opportunity for us to carve out our niche in this market and be successful. My first charge was to get the thing into the black. We finally succeeded in doing that in 1978.

Mr. Renwick: Would you then fill in the gap? At what point were the two things tied together--get it into the black and sell it--because in 1978, having got it into the black, you immediately put out the feelers through the investment bankers to see what could be done about the sale of the business?

Mr. Jordin: There are 12 months in the year. Am I right?

Mr. Renwick: Yes.

3:40 p.m.

Mr. Jordin: Okay. Obviously, in early 1978 we did not see a profitable year, when the decision was made to put out the feelers. We were still losing money in the early part of 1978, but we continued to execute and implement plans that would reduce costs, trim overhead and find new market penetration. By the end of 1978 a very strong second half--well, relatively speaking--enabled us to offset the heavier losses in the first half of 1978 and still come in with a one per cent profit at the end of 1978. At the time we decided to put out the feelers; we were still looking at a business we were not prepared to support.

Mr. Renwick: What is sticking in my mind--and I have tried to phrase it as a specific question--is when was the decision made--it would appear to me to be 1978--when no more capital was to be put into the Canadian operation in Lindsay?

Mr. Jordin: Yes, of any substance.

Mr. Renwick: I think your statement when you mentioned that you went to the investment dealers was that you needed a lot of capital, that it was a capital hog, that working capital is always a problem.

Mr. Jordin: That is right.

Mr. Renwick: It was in 1978 that the actual decision was

made to either sell the plant or close it.

Mr. Jordin: No. In 1978 the decision was made to try to sell the plant. We had not gone that final step in 1978, if we could not sell it to close it. We had not make that decision. We said we would try to sell the business in 1978.

It was not just making a couple of calls. These people continued to search in 1978 and 1979. It became obvious that we did not have a saleable business, at least going about it in the manner we were, on a confidential basis.

In early 1980, we made the decision. I say early 1980; say late in the first quarter. We could project heavy losses in 1980 with no significant improvement anticipated. It was at that time that we said: "Let us make the decision. Let us announce the fact that the business is for sale and, if we cannot sell it, we will close it up." It was not until prior to the July announcement that the decision was made to go the final step.

Mr. Renwick: It strikes me, with perhaps a degree of scepticism about it, that if the two decisions--that is, either to sell it or to shut it--were not made at a specific point in time, there was a decision made by the parent company that it was not, under any circumstances, going to put more capital into the Canadian operation.

Mr. Jordin: It is a joint thing, Mr. Renwick. Obviously, if the parent company owns you and has 100 per cent control, it will make the final decision. I am not going to sit here and say otherwise. But they are doing it based on the plan I show them.

In other words, I am saying, "It is fairly obvious that if we stay in this business this is the best we can hope to achieve." You get the thing into a four or five per cent return on investment. Why go through all the agony if that is the best you can do? It is more or less a joint planning meeting, something like a group session.

Mr. Renwick: Let me flip it around. The other point obviously comes up. What kind of a return would you have expected on the capital before you would have stayed in the game?

Mr. Jordin: We would have probably stayed in the carpet business if we could have achieved a 10 per cent return on total capital employed.

Mr. Renwick: After tax?

Mr. Jordin: After tax. That is basically the goal we set for ourselves internally. When you are looking at investment opportunity as a corporation, you are looking at limited funds. In other words, with all due respect, we do not have a cornucopia of funds out there. Any corporation has to decide, as a corporation, how much it is going to spend on new investment.

Mr. Mancini: Sixty-six million dollars is a nice piece of change.

Mr. Jordin: A nice piece of change. Okay. What we have to decide as a corporation is how much we are going to spend on new investment.

There are a number of us, all managers like myself, competing for that capital dollar. I have to be honest with my management and say: "This is the best you are going to do. If these people who own the market are only doing this, I cannot sit here and tell you we are smarter than they are or we can do a lot better. The best we are going to be able to do is this." Meanwhile, people in our ceilings business, in our resilient flooring business and in some of the other more profitable businesses are saying: "We need capital too. We have this kind of a return."

Mr. Renwick: You at least have enough capital that you can make choices about what you are going to do with it. Who won in the game?

Mr. Jordin: Obviously we did not.

Mr. Renwick: Yes, but who did? Where did the capital go?

Mr. Jordin: Some capital went to the resilient flooring operation in Montreal. I do not want to leave the impression with the committee that we are pulling capital out of Canada or that we are not investing in Canada because, on the contrary, we are. Some capital went to the furniture operation. Some capital went to a new resilient flooring plant in Europe. There were a number of investments.

Mr. Renwick: Let me put it this way: what number of dollars were you talking about as necessary to keep the company in Canada operating in Lindsay in the carpet business when you said it needed capital for whatever the purposes were? How many dollars were we talking about?

Mr. Jordin: Obviously, enough to achieve the market share. We feel there is some correlation between market dominance and profitability, although some of the present results in Canada would tend to argue that point.

Our feeling is that in order to have a chance at being a dominant factor here--and here we are with a four per cent share--and to get up to where Harding and Peerless are, it would have taken a major infusion. The number I am talking about--again, I can get the figure, if you like--is something like \$20 million--odd over a period of time that would have been required to make the types of investments that were necessary. Again, I could not guarantee that the return would have been satisfactory.

Mr. Renwick: I want to stick with the capital investment area for the moment. Let us assume the \$20 million but perhaps, Mr. Jordin, you would be good enough to let us have the actual figure that would have been needed, in your judgement, to be invested in that carpet-making operation.

How much of that \$20 million went into Canadian investment,

or was it a direct loss to Canadian investment? I mean the capital demands of other areas of your business in Canada--the overall business, other lines, in Canada--assuming those would have been met in any event because they would meet the return on capital investment. Are you telling us the basic decision was a decision not to invest \$20 million in that operation?

Mr. Jordin: Regardless of what the demands were elsewhere, the return available in the carpet business was such that we would not have put \$20 million-odd into this business anyway. I would not have recommended it.

I am just saying, in order to have a chance at the market share--and I do not want to leave you with the impression I went down there and asked for \$20 million-odd and was shot down, not at all. What I am saying is that, in order to have a business that had a chance at a market share which would have given no guarantee of the kind of return we consider acceptable, I could not make the recommendation.

Mr. Renwick: You did not make any recommendation because you knew that in any event the decision of your company--that is, the parent company--was going to be that you have to show a return somewhere on your investment in the neighbourhood of, comme ci, comme ca, 10 per cent.

Mr. Jordin: That is right.

Mr. Renwick: Therefore, as a loyal corporate operator for that overall operation, there was no way you were going to recommend that.

Mr. Jordin: That is right.

3:50 p.m.

Mr. Renwick: Let me try something else. Let me assume for the moment that there was something serious in 1978 when you started to attempt to peddle the company. Did you make any approach to government, either to the Ministry of Industry and Tourism or to its companion ministry in Ottawa, with respect to your capital needs, the prospects for that business and the concerns you had about it?

Mr. Jordin: No, we did not.

Mr. Renwick: You did not consider one of your options looking to either the federal or the provincial government for any assistance?

Mr. Jordin: No.

Mr. Renwick: Or advice?

Mr. Jordin: No. As a corporation we do not feel the federal and provincial government have a responsibility to subsidize inefficient business. It is a misuse of taxpayers' funds. If you are talking about a free enterprise system, you have

to have the freedom to succeed and the freedom to fail.

Mr. Renwick: Let me turn it around a little bit the other way then. Let us assume you have the freedom to succeed and the freedom to fail. None of these questions are value loaded. I am not trying to put you on the spot; I am trying to find things out.

I take it, however, that in 1978 your company did not consider, although it was in significant difficulty from your point of view, that you should notify either the Ministry of Industry and Tourism or the companion department in Ottawa of the difficulties you were facing, because you could have done that on a confidential basis?

Mr. Jordin: No, we did not.

Mr. Renwick: If you were asked to put a precise time on when, in your view, the decision was made to close the plant, what date would you select?

Mr. Jordin: The decision would have been made to close the plant in June of 1980.

Mr. Renwick: In June of 1980?

Mr. Jordin: Yes.

Mr. Renwick: Where was that decision made?

Mr. Jordin: The final approval obviously was made in the president's office in Lancaster.

Mr. Renwick: In June of 1980?

Mr. Jordin: In June of 1980. To close the plant. I think that was your question.

Mr. Renwick: Yes.

Mr. Jordin: In other words, that was the second part. Before, we were trying to sell it.

Mr. Renwick: I understand.

Mr. Jordin: We had not reached that point: "If you cannot sell it close it." But in June we said--

Mr. Renwick: No, we are communicating. I am not misunderstanding your response to my question. When was the first discussion about the closure of the plant?

Mr. Jordin: Do you want a month?

Mr. Renwick: Yes.

Mr. Jordin: I would say we first started talking about its being obvious we did not have a saleable business, at least

the way we were going about it, and that maybe we ought to, in the expression we use, take one arm from behind our back and get out there and get after it, make it public that we were selling it so that maybe somebody would come out of the woodwork who had not been approached--we tried to leave no stone unturned around the world.

I would have to look back at my business schedule, but I would say the first discussions about that being an option we were going to have to consider was around March.

Mr. Renwick: March of 1980?

Mr. Jordin: Yes, and in a period from March to June we were putting together the feasibility of the closing.

Mr. Renwick: When did the investment banking firm come to you and say, whatever their efforts were, that they were aborted, that they could not find a buyer?

Mr. Jordin: We did not turn them off; in fact, on the contrary, after the July 3 announcement we felt--

Mr. Renwick: I understand that. Let me try again.

You specifically pointed out that for competitive reasons, even though you ran some risk, you had privately retained an investment banking firm for the purpose of seeing if there were a buyer interested in the plant and that you had done that early in 1978, if I take it correctly--

Mr. Jordin: That is right.

Mr. Renwick: --and that there was some leakage in that anyway because of the small number of plants and the difficulty of keeping it confidential, but their work was confidential.

Mr. Jordin: Their work was confidential. That is right.

Mr. Renwick: When did they report to you that they had been unsuccessful?

Mr. Jordin: They never did. It was the absence of a report that they had found somebody.

Mr. Renwick: All right, the absence of one. When did you stop paying them?

Mr. Jordin: There was no fee. When they find somebody they are paid.

Mr. Renwick: Only then. When did they say that it was not worth their time to pursue their finder's fee any more because they were wasting money?

Mr. Jordin: They have not come out and made that decision as such. It is only by the calendar. We left that option open to them and to anybody else who would want to buy it right up

until, say, last week, when a final decision was made to go the next route.

Mr. Renwick: I understand, but by that time it is public. I am trying to make the distinction between when it was in confidence and when it was public.

Mr. Jordin: The decision was not made to absolutely liquidate until last Friday.

Mr. Renwick: All right, I understand.

Mr. Jordin: Conceivably they and we were trying to sell the business right up until that time. We had to make a decision to liquidate at some point and the decision was made Friday.

Mr. Renwick: Let me try again. For 1978 and 1979 you had somebody out looking for a buyer.

Mr. Jordin: That is right.

Mr. Renwick: Presumably, if I am trying to sell something, my patience will be exhausted at least by the end of the first year. At the end of 1978 you must have said, "There are no buyers around."

Mr. Jordin: We obviously had come to that conclusion. They had been looking and they had not brought anyone forward.

Mr. Renwick: Presumably you reported to your parent company that there were no buyers around at, say, the end of 1978?

Mr. Jordin: Well, in the absence of any buyers they could see that, yes.

Mr. Renwick: Yet you indicated clearly to us that somehow or other, between the end of 1978 and March, 1980, there really had not been any sense that the plant was going to close?

Mr. Jordin: Not close, that is right. We were still hopeful of finding a buyer for the operation.

Mr. Renwick: You were still hopeful of finding a buyer?

Mr. Jordin: That is right. Even after the announcement I have to say that I, at least, had continued to hope that maybe, now that the word was public, we would find a buyer, because we did not know whom these people missed.

We had to assume, with the rumours that kept coming back to me--"I understand you are for sale"--that everybody knew it, but that is not a safe assumption, certainly not on the international scene. After we could, in a sense, let the world know that this was a business that one way or another we were going to exit, my hope--and I think others shared it--was that perhaps someone would express an interest during the period July, August and September, but no one did.

Mr. Renwick: On a worldwide basis are you expanding your carpet-making operation?

Mr. Jordin: No.

Mr. Renwick: You are not?

Mr. Jordin: On a worldwide basis, no.

Mr. Renwick: Is there any significant investment being made in the United States in the carpet business?

Mr. Jordin: There has been investment made in the United States.

Mr. Renwick: At the present time?

Mr. Jordin: Right now they are trying to utilize what they have.

Mr. Renwick: When was that money made available in the United States? Was it in the last five years?

Mr. Jordin: They made the major investment in 1967, when they bought Evans and Black Carpet Mills; they bought E and B in October of 1967. From 1967 to 1970 major investments were made down there. I am not saying they haven't invested since, but that is where they had to scale up to support their distribution.

Mr. Renwick: How many dollars have they put into Canada since 1970 in the carpet business?

Mr. Jordin: How many dollars? I cannot tell you. I can get that for you but I cannot answer you off the top of my head.

4 p.m.

Mr. Renwick: The actual investment that has been made in Canada in the carpet business from 1970 on.

With great forbearance, Mr. Chairman--I intend at this moment to pursue it much further--let me just switch a little bit.

At what point did you contact any agency of government for any reason whatsoever about the plant, either for labour reasons or for business reasons?

Mr. Jordin: After the announcement. We had to notify the Ministry of Labour when we announced the closing.

Mr. Renwick: Was that the first notification?

Mr. Jordin: That was the first notification.

Mr. Renwick: That you gave formally. That was also the first informal notice you gave to the Ministry of Labour.

Mr. Jordin: That is right. In the same week I talked to

a number of people. I know I talked to people in Mr. Gray's department and I talked to people in Mr. Grossman's department as well.

Mr. Renwick: Would it be fair from the committee's point of view to say that your first contacts with government were coincidental with the notification on July 3 to close?

Mr. Jordin: Yes.

Mr. Renwick: With no prior discussions of any kind?

Mr. Jordin: No prior discussions of any kind.

Mr. Eakins: Could I just ask one supplementary? After your announcement on July 3, the first meeting then was with the ministry as arranged by me on July 4 or 5. Was that your first contact with the ministry?

Mr. Jordin: It was during that week.

Mr. Eakins: At which time representatives of the employees and town officials met with the Industry and Tourism people.

Mr. Jordin: In Ottawa and also down here.

Mr. Eakins: There were no meetings prior to July 3?

Mr. Jordin: No. That's right. We were just trying to keep them advised of any developments. Also, they were knowledgeable of the fact that we were trying to sell the business and we gave them all the information to, in a sense, assist in that.

When I say "assist," I am not talking about financial assistance. They may have had access to information we did not, or the investment banker did not, about somebody who might have an interest in moving into Canada.

Mr. Renwick: I had asked for the financial statements of your carpet-making business in Canada. Depending on how your corporate structure is set, can you give us the audited financial statements of the Canadian business in all your lines?

Mr. Jordin: Again, our response is the same. The only financial information we as a company report publicly is the Armstrong Cork Company--

Mr. Renwick: On a consolidated basis.

Mr. Jordin: --on a consolidated basis.

Mr. Renwick: There is no availability anywhere of the financial statements of separate areas of your business.

Mr. Jordin: No.

Mr. Renwick: I take it that in substance the decision to close was because, in the overall world of Armstrong, in its worldwide business, it was not prepared to put the capital into Canada, into Ontario, to maintain the carpet-making business here.

Mr. Jordin: Or into any other low-return business. It just happened to be Ontario. Armstrong World Industries is continuing to invest in Canada in Montreal.

Mr. Renwick: I understand that, but let me suggest that those investment decisions were not alternatives. Those investment decisions would have been made about the investment in Montreal--

Mr. Jordin: Sure. That's right.

Mr. Renwick: --regardless of the decision with respect to Lindsay. For the failure of Armstrong World to put up \$20 million, we have lost this business.

Mr. Jordin: That is a fair statement. I will confirm my \$20 million figure.

The Acting Chairman (Mr. G. Taylor): I see the leader of the New Democratic Party and I are on the list, and unfortunately I am now in the position of chairman. If I might have Mr. Cassidy's indulgence, and then he can have the floor, I would like to ask one question that I have had burning as we have gone along. It appears to be one of the directions we might be taking, Mr. Jordin.

I assume you have a great deal of knowledge, as you have imparted to us, on the investment community in the US, Canada and worldwide. In some respects up to this point we have led you to justify your closing and we will be asking you further questions.

Suppose Ontario were to institute legislation along the general lines that a company must justify closing its plant to some tribunal, administrative board, et cetera. How would that affect your decisions, first of all, to invest in the province? Secondly, I think you said you were working on a two per cent margin of profitability on the present investment, so how could you justify two to 10 per cent? How would you go about justifying that to the committee?

Mr. Jordin: I am not sure I understand your question.

The Acting Chairman: How would you justify your closing? You said that on your overall investment you would like to make 10 per cent. I believe on your Ontario investment you were roughly working at two per cent, which just was not worth it.

Mr. Jordin: I do not know what I could add to what I have already said, as to how we would justify it. You are asking what we would say if we had legislation that required us to justify the closing. I think all we could do, as I have done, is to try to be as open as we can with the facts to the extent that our corporate policy permits.

Just a word on plant-closing legislation: I know I do not have to remind this committee about the fact that Ontario as an investment community is obviously competing with other areas for that same investment dollar.

Mr. Mancini: It looks like we are not doing too well so far.

Mr. Jordin: Well, let me continue. It is new investment I am talking about.

I would suggest -and I am sure you fellows are doing this--you look at the experiences of some other countries that have passed such legislation. Again, I have not studied the material as you probably have, but it would seem to me, from my limited knowledge of plant closing legislation, it does not serve the intended purpose for which the legislation was passed. In other words, if they are going to close, they are going to close anyhow. What it does is provide a negative for new investment.

I just pass that along. Perhaps it is very obvious that you are already aware of this, but you are competing with the sun belt for new investment dollars and the businessman obviously looks with some reservation on any additional regulations or requirements. That was just meant to be helpful.

The Acting Chairman: The leader of the New Democratic Party, Mr. Michael Cassidy, has some questions.

Mr. Cassidy: Mr. Jordin, I have two or three questions which, I must say, concern me. The first question relates to the degree of market share you think the company would have required in order to survive.

I have a feeling the \$20 million figure you are giving us is not what was required to modernize the existing facility, but what was required in order to, in various ways, acquire a very substantial increase in market share. That means, to some extent, we are dealing with a kind of stacked estimate. That does not say to the people of Lindsay what was required to keep their plant going with four or five per cent of the market; it says what might be required in order to have something quite different.

What share of market were you talking about that would cost \$20 million to acquire in terms of market development or in terms of plant expansion?

Mr. Jordin: As I mentioned, we had a market share of somewhere around four per cent. In Canada, to have a shot at a market share, to, in our opinion be considered a dominant factor in the market--and I am not so sure that correlation holds true in this particular industry--you would have to be looking at a market share of between 15 and 20 per cent.

4:10 p.m.

Mr. Cassidy: In other words, the \$20 million could be misleading because that was not what was required in order to

modernize the plant. That was what was required to establish, really, quite a different business that would have four times the market share you currently enjoy.

Mr. Jordin: Well, all right. To modernize the plant we would be talking about a lesser figure.

Mr. Cassidy: What would that figure be?

Mr. Jordin: I do not have that figure.

Mr. Cassidy: Were estimates ever prepared by the company?

Mr. Jordin: Oh, sure. You are asking me now. I came to try to share with you our experience in a plant closing and I am trying to do that. I could not anticipate all the detailed questions that could come forth.

Let's talk about, say, a Mitter printer in this business. You are looking at probably over \$5 million. That is just one hunk of machinery. To get a continuous dyeing range, you are talking about probably a \$2 million to \$3 million investment. For one unit of continuous heat setting you are looking at probably close to half a million dollars.

Mr. Cassidy: Are you saying that the plant would have needed to be completely re-equipped in order to simply continue, whether it had four per cent or 15 per cent of the market?

Mr. Jordin: Yes. I do not think we should get hung up on whether it is \$20 million or \$5 million. The point is that we did not see, regardless of the amount, that the return on investment was going to be what we have to have in this business.

Mr. Cassidy: It is fair to say, though, that the question about that judgement, about whether you could stay at four per cent of the market or would have to go to 15 or 20 per cent, was never a public question. It was only a question in so far as your investment banker was talking to prospective purchasers.

Mr. Jordin: No. It was a figure we used internally to say: "Look. Here is where we are in this business. If we hope to have any chance of any significant improvement"-- Again, I repeat myself. Just because you are big does not mean you are going to be successful. We see the companies around us that were big and unsuccessful.

What I am saying is, in our opinion, to have a larger market share we were talking about, suffice it to say, a major infusion of capital on which the return on investment was inadequate. I am repeating myself again, but take the best manufacturer in Canada. Whether he be small or large, we do not think we are any better than he and we would not be satisfied with that return.

Mr. Cassidy: My second question: You said that after tax you were looking for a 10 per cent rate of return on shareholders' equity. Would that be right?

Mr. Jordin: No. We want a 10 per cent return on total assets.

Mr. Cassidy: On depreciated assets?

Mr. Jordin: On depreciated assets.

Mr. Cassidy: What is the rate of return that other companies in the carpet business have been getting here in Canada?

Mr. Jordin: They are other companies. I would suggest you look at the publicly reported figures.

Mr. Cassidy: I am asking, though, since obviously you have some knowledge of the business.

Mr. Jordin: Let's take the company that used to be the largest. I choose not to mention its name for obvious reasons. It has been losing money for the past several years. There is another large company that will probably in a good year do maybe seven or eight per cent on total assets.

I cannot tell you about people like ourselves who are US affiliates--Bigelow, Burlington, Celanese, Coronet--who do not report publicly.

Mr. Cassidy: My third question: If you had the plant on the block from the middle of 1978, when, to your knowledge, did the union learn there was a possibility the plant would be sold? If they did learn it, did they learn it from the company or how did they learn it?

Mr. Jordin: To my knowledge--I cannot speak for the members of the union--we never informed them that we were trying to sell it until the public announcement.

Mr. Cassidy: With hindsight, and since this was something which clearly would affect the 300 people working in that plant in Lindsay and the community as well, do you think that, at the very least, when you found you were not going to find a ready buyer within two or three months, it might have been appropriate to bring the union into your confidence, and say to them, "This is what we are doing; this is why"?

That would have given them a chance to participate, perhaps, in the planning for a successful continuation of the plant.

Mr. Jordin: We did what we felt was right, on July 3 of this year, by bringing to the union the knowledge that the decision had been made, that we were going to go public with what it was we were doing. We wanted to provide as much notice as possible so that they could find other employment or, if they saw fit, so that they would have the opportunity to buy the business.

Mr. Cassidy: But if you had had the plant available for sale two years prior to that, would it not have been appropriate that the workers had some prior knowledge, rather than only at the very last ditch moment when you had, in fact, made the decision to

close, unless some gallant, white corporate knight came along to rescue the plant at the last instance?

Mr. Jordin: No. What is going to be served by their knowledge of the fact that the company is trying to sell the plant? Our hope was that we would find somebody and could say to the workers, "Here are the new owners."

Mr. Cassidy: We disagree about that one. I don't want to pursue it because I know that the time is late.

I want to ask about the rate of return and so on. As I understand it, if you relate it to shareholders' equity, the company in Canada, including the Montreal operations, made approximately 10 per cent before and after tax on shareholders' equity in 1978. Does that sound correct to you?

Mr. Jordin: Where did you get your information?

Mr. Cassidy: I understand that the information is available to people in the investment fraternity, and that is where I have got some information which appears to be reliable.

Mr. Jordin: Are you talking about the total Armstrong Cork Company in Canada?

Mr. Cassidy: Yes.

Mr. Jordin: That would include a very profitable resilient flooring business.

Mr. Cassidy: I see. In the following year, 1979, I understand that the return on equity, before tax, went up about eight or nine per cent of the shareholders' equity at the end of the previous year, and after tax, to about 53 per cent, which looks very generous indeed. Would that be correct?

Mr. Jordin: I don't have that information in front of me, but obviously you do have. If it is, I still do not think it has any bearing on the decision on the Lindsay plant.

Mr. Cassidy: It does suggest, given the turnaround that has taken place in the overall fortunes of the company and that you were achieving profits which were generous by any corporate standards, that it might have been possible to have had a new look at the potential for the company.

Mr. Jordin: Obviously we disagree. What you are suggesting is that if a corporation is profitable, it should support the losers. We obviously do not agree.

Mr. Cassidy: I understand that tomorrow we will look at your detailed financial statements. Will that be done?

Mr. Jordin: All I told the chairman is that it is not our corporate practice to reveal the financial information of an operation such as this. If you choose to exercise your subpoena power to have the records produced, then we would do so.

Mr. Cassidy: It is correct, however--I missed your opening statement--that the plant in Lindsay was in a profit-making position in 1979. Am I correct?

Mr. Jordin: Yes. My opening statement was that we did about two per cent after tax in 1979. I did reveal that much. I felt in talking with Mr. McCaffrey prior to my coming here, that if I were to speak at least in that vein, that might be sufficient information for you folks without knowing what the absolute dollars were.

Mr. Cassidy: I think we should return to this, either in terms of your statement or in terms of the other statement tomorrow, because there is a heck of a power of difference between two per cent and 53 per cent. While I recognize the resilient flooring business was the more profitable of the two, the size of the operation in Montreal is of the same order of magnitude as the operation in Lindsay as I understand it.

Mr. Jordin: You are talking about the 53 per cent shareholders' equity, are you not?

Mr. Cassidy: On the depreciated value of plant and equipment, it works out to a return of about 38 per cent, which is still very generous, whichever way you count it.

4:20 p.m.

Mr. Jordin: That isn't correct. You are saying that in 1979, the Canadian corporation had a 38 per cent return on our total assets of the company?

Mr. Cassidy: I don't want to put the current assets and liabilities against each other.

Mr. Jordin: I am talking about the total lefthand side of the balance sheet.

Mr. Cassidy: On the basis of the total lefthand side of the balance sheet, it is smaller, sure.

Mr. Jordin: That is what I am talking about.

Mr. Cassidy: I am talking about the fact that on the basis of the shareholders' equity, your net profit after you had met all of your obligations, came out to something very substantial before tax.

Mr. Jordin: I will just repeat myself and say, what the total corporation does, whether it is Armstrong worldwide or the Canadian corporation, is immaterial if you have a business that is losing money and, what is more important, if we are not prepared to support it.

Mr. Cassidy: I am concerned. I recognize disagreements; I don't want to pursue that side of it too far. That will be a subject for this committee for some time. But between 1978 and 1979, the joint operations in Canada turned around. Its profit

went up about six times after tax and by nine times before tax. It became very profitable by any stretch of the imagination. The net profit--I don't think you can take the net income figure after you have paid for the interest on your bank loans and that kind of thing--

Mr. Jordin: but we do.

Mr. Cassidy: It is a rather strange way of accounting.

Mr. Jordin: Many large corporations use ROCE, return on capital employed, as a yardstick for measuring performance.

Mr. Cassidy: In the market, as you are aware, people also look at before and after tax returns on equity. Those are the ones which speak to me. They say: "How much did this American corporation actually invest initially in Canada? What was the initial up-front money and what has happened since then?" When you put \$3 million to \$4 million of retained earnings back into the company in the course of one year, and then say the return on investment criteria has to include a return on that money which has just been earned and sunk into equity, I have some difficulty with that.

Mr. Jordin: Again you are talking about the total corporation. We are talking about the Lindsay plant. The two have no bearing on each other.

Mr. Cassidy: Despite having only two plants out of 66, the Canadian operations in 1979 contributed something like six or seven per cent of the overall profit of the worldwide corporation. Would it not be correct to say that the Canadian company was in a much better position in 1979 than in 1978 to look at means by which either you could continue with the carpet plant in Lindsay, or by working with the local authorities, with the union, with governments, whatever, ensure that the plant was enabled to continue to operate, perhaps in other hands?

Mr. Jordin: I think that is immaterial. The numbers could be 10 times those. I do not have the figures in front of me for the Canadian corporations, because we didn't come here to talk about the Canadian corporation, we came here to talk about the Lindsay plant closing. The basis for closing that plant was an unsatisfactory return on investment by the Lindsay plant. I don't know why we would be talking about the Montreal plant or the US corporation.

Mr. Cassidy: With respect, you have indicated that you are not willing to talk about more than the fact that, by your calculations, there was a two per cent return on equity or on total capital employed?

Mr. Jordin: I am saying, in 1979, we had two per cent profit after tax on sales. Total return on capital employed was 3.6 per cent.

Mr. Cassidy: I see that is a bit closer to 10 per cent. It is still far away, but with respect--I speak as an amateur in

these things, I acknowledge that; I am not in your business--it is a case of using the figure that supports your case most strongly.

The union will be testifying in a few minutes. Perhaps among them and others, there will be people who would be interested in looking at 3.6 per cent after tax as a beginning point, if it were possible to keep the plant going, given the fact that a substantial number of jobs and an economic mainstay of the town of Lindsay is at stake.

Mr. Jordin: If this is such a super deal, I wonder why, for two years and more, we didn't have any buyers. The employees themselves didn't see it as a great opportunity either.

Mr. Cassidy: The employees themselves?

Mr. Jordin: You were not here when a group of employees looked at the possibility of taking over the business. They decided it was something they did not want to pursue.

Mr. Cassidy: I think it is fair to say with hindsight, that coming in at the very end is more difficult than having had a chance to plan, perhaps, for the possibility of taking it over. That is the kind of thing we would like to see in future, recognizing that you cannot recover two years, when the plant was on the block.

Mr. Jordin: Would you say that again?

Mr. Cassidy: You cannot go back two years in time. With adequate lead time it might have been possible to pull a deal together. It would have been more easy to do it then, rather than when the plant has only three months left.

Mr. Jordin: I don't think time was the problem. I think it was because it is a low return business and they were smart enough to see it.

Mr. Cassidy: My final point is that you are reluctant to talk in more detail about the profits and the balance sheet of the Lindsay plant.

Mr. Jordin: Let me stop you there. It is not reluctance, it is simply a corporate policy. The profit and loss statement of an operation such as this is not available for public--

Mr. Jordin: Would you feel uncomfortable if the law said, "That profit and loss statement and balance sheet are a requirement, if you are going to close the plant down"?

Mr. Jordin: No, on the contrary; it supports what we are doing. Mr. Renwick asked for the information, but I don't have the authority to grant it, because I know we have a policy that says that it is not available.

Mr. Cassidy: But you would not be reluctant if that was the law. Is that right?

Mr. Jordin: I would not be reluctant if that were the law, no. I wouldn't have any choice either.

The Acting Chairman: Mr. Cassidy, have you finished your questions?

Mr. Cassidy: Yes. Thank you very much.

The Acting Chairman: I was only going to suggest that if Mr. Jordin so desires, perhaps Mr. Cassidy could provide him with some of the statistics and figures used in his questioning.

It seemed to me, sitting in the chair, that there was a lot of confusion about the percentages on each side and that there will be some confusion in the transcript. If Mr. Jordin returns with those figures, perhaps Mr. Cassidy will return at the same time to ask the same questions, in order to exchange the material on which you were each basing your comments.

Mr. Jordin: Let me make it clear now to you, as the acting chairman. Unless the records are subpoenaed, I am not going to return with the records tomorrow.

The Acting Chairman: Thank you, Mr. Jordin.

Are there any further questions of Mr. Jordin by the committee members?

Mr. Mancini: Since it may be the decision of the committee to subpoena the records, why don't you take steps to speak with corporate headquarters and inform them of the situation? That way, the committee wouldn't have to go through that.

Mr. Jordin: I don't have to do that. I know what the policy is. As a corporate citizen, we obey the law. If they are subpoenaed, then we will obey the law and they will be here.

The Acting Chairman: Thank you very much for appearing, Mr. Jordin, and supplying us with that information. Our staff will have taken down the questions that have gone unanswered and they may discuss the possibility of your providing that information at some later date, if the committee decides to take their legal route to subpoena the information on which questions were asked but yet unanswered.

I respect and understand your reason for not answering. It is not the law at this time to provide that information on the corporate setup you presently have within your manufacturing business.

4:30 p.m.

Mr. Jordin: Do you want me to retire to the--

The Acting Chairman: If you so desire. If it is the will of the committee. We have other people in attendance here.

It would appear from the time frame Mr. Herb Simpson, who is the industrial commissioner, can only be here today, so I am open to the committee's wishes as to whether we proceed with Mr. Simpson at this point or take the other people as they appear on the agenda. We have yet no decided order in which they will be appearing.

Mr. Ramsay: Mr. Chairman, if I may express an opinion, I think it will take quite some time to hear the concerns and comments of the Amalgamated Clothing and Textile Workers Union. If we get started today, we will just have to interrupt that to come back to it tomorrow. Perhaps it might be best to take Mr. Simpson today in that he cannot return at a later time.

Mr. Clark: Mr. Chairman, with respect to the committee and with respect to the management people and the members, the whole issue here is about people. We have two people here today and these people have a life to live and they have jobs to pursue. Now two of them came down today. One of them has the opportunity of looking at a job tomorrow. If we postpone their going tomorrow, he may be very well be out of a job or the opportunity to have a job.

We will be here as a union; I will be here and so will our research people. I do not know whether the committee would want to ask the members of the plant any specific questions that we could not answer, as their representatives, but I would really stress to the committee that there is a human viewpoint to this problem and I am not sure whether that supersedes a managerial or a profit picture, but in our eyes, it does.

With respect, I would really like to try to read my brief, which is very short, and have the one person of the plant express something that is in the brief. Failing that, then I would say that the chances of having at least one of the people back tomorrow is almost nil. It is just his chance to get a job against appearing before this committee and I think the chance of his getting a job comes first, in his viewpoint, and should in the eyes of this committee.

Mr. Ramsay: I respect what Mr. Clark is saying, but I get a little upset when he implies that possibly we are not looking at the human aspect. That is paramount in this committee.

I just want to go on record here, so that Mr. Clark will know, I raised this very point at our steering committee. Every committee I have ever been on, in the short period of time I have been down here, takes God knows how long with the first witness or the first representative and then we try to jam the second and third witnesses into the last 10 or 15 minutes. I cautioned the committee about that happening and what I predicted would happen is happening and you are suffering for it. I apologize to you for it on behalf of the committee.

We are going to run into this thing tomorrow, Mr. Chairman. We are going to run into it next week and I know we are going to run into it each and every day.

Mr. Clark brings a good point here. If it comes to the difference between getting a job or appearing before this committee, obviously the person is going to have to look for a job. But we are inconveniencing our witnesses and we have done it in the committee structure in this Legislature for I do not know how long, certainly as long as I have been here.

Mr. Clark: As I say, Mr. Chairman, I respect your remarks. I am not concerned about myself or the other staff member from our union. We will be here and we will be here many more times before this committee is through. I just wonder if you, as chairman, or if any of the members of the committee, without hearing the brief--what kind of questions would you want to ask somebody from the plant? Let me tell you the problems.

Mr. Mancini: You said one person will be able to come back--

Mr. Clark: No. I just asked her. She is not even sure what the bus schedules are. Lindsay is not exactly--

Mr. Mancini: So neither one of the witnesses will be able to come back, is that it?

Mr. Clark: Certainly one is going to go looking for a job and I think everybody concurs with that. I do not think there should be any question.

The other lady, Mrs. Coombs, is in a quandary because she came down with the other person. She does not know how she could get here or how she could be in attendance. We may be able to work that out given some time.

I am with you. I do not think we should just rush the second phase of the presentation. I think we should be granted the same time privilege and frame as the company has and I am sure he would agree. I just think it is bad timing that we spent two and a half hours on one gentleman--no offence, Jim--knowing there were other people scheduled to come on the floor of this hearing this afternoon.

Mr. Ramsay: We should not have scheduled this much in one afternoon to begin with.

Mr. Eakins: I agree with Mr. Ramsay, Mr. Chairman. I think it is important that the employees have a full voice. I think they have a lot to offer in this and I think we have to be very careful in the scheduling. Mr. Ramsay is right. We spent almost the full afternoon on one witness and then we have short changed the others and I do not think it is right.

Mr. Renwick: I would like to explain to Mr. Clark and to Mr. Jordin what our plan was. I regret if there has been some misunderstanding.

We tried to set aside two sessions of the committee at which the company and the union and members of the plant would be here so they could hear the whole of the connected presentation. It

happened that for this particular startup operation, we had to split it into two days. In the future we are trying to do it all in one day, morning and afternoon or afternoon and evening.

I would suggest we have, as I understand it, a problem with one of the employees of the plant and we have the problem with the industrial commissioner from Lindsay. I, myself--I do not know about my colleagues--will be quite prepared just to sit on until those matters are dealt with. I had hoped, particularly the employees of the plant, would have been able to stay to hear the whole of the story and come on tomorrow after we reached that point. If that is impossible, I think we are just going to have to adjust our time to meet that need.

Mr. Mancini: Could I get something on the record here just for the sake of the committee? There are specific members appointed to the committee and they are appointed by their parties to come in and put questions for their parties. It seems to me a bit unfair, although we do want to respect all the members of the Legislature, to have someone come in and put questions for 30 minutes and then walk out again. There were representatives of the party here who put the questions very well and who took up the specific amount of time for that particular party.

As you know, we discussed in the subcommittee's meetings that each party was going to have its own discipline as to how much time they were going to take. If all three parties had someone walk in at five to four and take 30 minutes and then walk out again, we would never hear Mr. Clark, we would never hear this gentleman here and we would never hear anybody.

I think if the three political parties are going to exercise some discipline as to what the time of questioning is going to be, they either start to do it or the chair takes some action with the subcommittee on this particular matter. Mr. Ramsay puts the point very well. We try to schedule too much in one afternoon; we get into some detailed questions, which are absolutely necessary, and then we give the short shrift to everyone else. It just does not seem fair. Maybe the subcommittee should meet on this very point, instead of having this happen to us again.

The Acting Chairman: Yes, Mr. Mancini. Mr. Bud Clark would like another word.

Mr. Clark: Our problem seems to be partially solved, we will have one of the employees here tomorrow. I regret, and I mean it sincerely, that we cannot have both. We might. We might be able to schedule something. But it is part of this problem and I agree with you--

Mr. Mancini: What about later on in the hearings? Could we make special time available for that other person, because it is going to be recorded?

Mr. Eakins: Just in respect, Mr. Chairman, would it be feasible or is it possible that Mr. Simpson's being here today--he cannot be here tomorrow--would it be possible some time later in the hearings to hear him?

The Acting Chairman: That might be a possibility. I have not discussed it with Mr. Simpson. Mr. McCaffrey left me a note that Mr. Simpson was only available today. But I can pretty well prejudge, as Mr. Ramsay has said and I have said before, these witnesses take far longer than we ever possibly imagine.

4:40 p.m.

Indeed, if we were just to look at the people here, and if Mr. Clark even finished his brief, just straight reading, I suspect it would take him 10 minutes to read it, if it has any content whatsoever, and it should really go to 20 minutes. If you give the people around this table the opportunity to question after that, we would not be leaving here till late this evening.

It might possibly be wise to finish the Armstrong Cork situation, even to the point of deferring these people who are presently tentatively scheduled for Monday, given that his brief should receive adequate time, similar time to Mr. Jordin's, because I am sure it is going to raise questions with these members, as will the commissioner, as will the employees.

I have to bow to Mr. Ramsay's suggestions that we are, as is the habit around here, scheduling too many people into too small a time. We have scheduled for five o'clock and I am sure we do not have the staff after five o'clock today. We have used close to 15 minutes discussing the problem, which is a usual habit again, for you people to understand what we are doing in a procedural matter. If I understand correctly, Mr. Clark, you can return tomorrow and one employee can.

Mr. Clark: And my research assistant will be here.

The Acting Chairman: Right. Is Edith Coombs the--

Mr. Clark: Yes, and James Herman.

The Acting Chairman: And James Herman. Tomorrow, I believe, we have approximately an hour and a half in time.

Mr. Renwick: Three-thirty until six.

The Acting Chairman: Three-thirty till six.

Mr. Renwick: Two and a half hours.

Mr. Mancini: Don't forget the vote we have tomorrow. It is part of members' day.

Mr. Renwick: That is at 10 to six.

The Acting Chairman: Ten to six. We have the difficulty of scheduling Mr. Simpson for the last few minutes to make his presentation and questions at another time, or hearing Mr. Clark's presentation during this evening. I am at the will of the committee.

Mr. Clark, you can return tomorrow. Is that right?

Mr. Clark: Yes. I would rather do ours tomorrow, Mr. Chairman. We can do the whole thing.

The Acting Chairman: Do it as a package.

Mr. Clark: Sure.

Mr. Mancini: We can mail our questions to Mr. Simpson.

The Acting Chairman: Is it the will of the committee that we proceed with Mr. Simpson for the few brief minutes? If he just presented his presentation, possibly answering some of the questions that have gone before because they might be repeated--if you could foresee those questions and possibly answer those it might be of some assistance, Mr. Simpson.

Mr. Simpson: Thank you, Mr. Chairman. If I might also respectfully suggest to the committee, when we are asked to appear before such an august body we do, as witnesses, be given sufficient time. I knew about this tentatively Friday night. I think it was confirmed with me Monday evening at my home.

We have had Armistice Day, a very important day in the lives of all of us, to attend, and I have come here not with any prepared agenda. I apologize for that. I do not think it is right to come here not properly prepared. The matter under discussion is far too important for that line to be taken.

If I could perhaps change from the type of evidence given by Mr. Jordin and dwell on the economic impact of this type of closing, what it means to a small community, following so closely on the heels of action taken by the provincial government in the closing of the Kawartha Lakes Training School. That closing, a decision made by the provincial government, threw 80 people onto our labour force. They have been quietly assimilated into the work force today and then to have occur immediately the closing of the Armstrong plant, becomes much more than a small community can bear.

Mr. Cureatz: Just a question of clarification: were not those people given some kind of alternative work through the Ministry of Community and Social Services?

Mr. Simpson: That is correct. But at some distance from a choice of theirs, which is to be in the Lindsay area; married people with other responsibilities, children in school who have to be uprooted. I do not think those kinds of human matters turn out to be just a dollar and cents thing. I think there has to be consideration for the humane aspect of the lives of those people.

Mr. Eakins: In all fairness, Mr. Chairman, all of those people have not been positioned.

Mr. Simpson: That is quite correct. Economically, to the town of Lindsay, the Armstrong plant represented the second largest water user in the community. The water board of the town collected some \$35,000 from Armstrong Cork.

Hydro requirements in their two plants--they have the large

plant of some 300,000 square feet, and the smaller is some 27,000 feet--the total hydro bill in both of those plants is worth \$170,096 to Lindsay Hydro Commission. That is a terrible blow to the Hydro.

In taxes to the town, right off the tax base--and I suppose many of us are politicians and all of you are and know much more about taxes and the importance of them than I do--the reality and business taxes on the large plant, the Needham Street plant, in total, are \$129,306. On the small plant on Verulam Road, again, realty and business taxes are some \$10,000 for a total of approximately \$140,000 right off the tax base of Lindsay.

Obviously we have two choices. We can increase taxes for the coming year, or we can reduce the services required by the people of Lindsay. Those figures are enormous and yet are still the small end of the economic stick.

Nowhere today has evidence been given on total payroll. In my dealings with the employee group, with the union people, with management, nowhere has the total payroll figure been given. But I am suggesting that it is probably in the area of \$2.5 million to \$3 million dollars. The economic impact of such a payroll on our community therefore is going to be in the area of \$8 million.

That is really the part that hurts. The opportunity to replace that quickly, with the economic attitude and atmosphere in our country as it is today, is almost impossible.

When the announcement was made on July 3--and I can tell you that was a short, curt announcement in Mayor Flynn's office, as described to me, probably because of emotion on the part of the person making that announcement. Incidentally, it was made in conjunction with the same announcement to the plant personnel.

Within a day, the mayor's economic council had meetings. We left the second day to meet with the Minister of Industry, Trade and Commerce, Herb Gray, in Ottawa, and I believe, the following day here in Queen's Park, with the Ministry of Industry and Tourism at a meeting established by our member, John Eakins. At that meeting it was suggested that a feasibility and marketing study should be projected and then it would be decided what help could possibly come from the province.

We never really arrived at that point. Timing was of the essence. I think Mr. Jordin has testified that from July 3 onwards everyone seemed to be short of time. I suggested to the committee that the town officials were short of time working in conjunction and in co-ordination with the employee group.

An economic in-depth study by a private consulting firm was never made. We arrived at a point, in discussions with them, of certain costs, where some \$7,000 or \$8,000 would be required for a short, two-week, intensive study, at which point they would tell us or advise us whether we had a go situation or a no-go situation.

The decisions were quite simple had we arrived at the no-go

situation. They were a little more complex if we had been advised, "Go." A further \$17,000, approximately, would have been required to have completed the feasibility and the marketing study. That was the understanding given to the employee group.

4:50 p.m.

For the initial \$7,000 or \$8,000 it was suggested that if the employee group would raise \$2,500 of that money, the town of Lindsay, out of its tax base, would pay the \$5,500 or \$6,500. After an employees' meeting was held I think 22 people suggested they put up \$500 and politically, at that point, it became very distasteful for Mayor Flynn to suggest that he proceed further with his council. In other words, he would have had to go to council and suggest that they bear the full cost of the investigation with no employee support.

At that time it looked a little dark on the side of the employee group and, in fairness to that group, I would have to say that the senior members of the group who presented the information did it in a short, and maybe negative, way. I think it would have been very hard for them to make the decision to go for \$2,500. But I am absolutely sure in my heart that if I had presented that deal to the employee group I would have come away with \$2,500 because it represented less than the cost of a case of beer per employee. So when they turned it down they did it with good reason, because they were not adequately informed.

So that in-depth study never did get off the ground and at this point I believe the only person who has shown any leadership in trying to put some deal together, has been the mayor of Lindsay, Mayor Flynn, with his economic budget.

We will never know the answer as to whether it would have been a no-go or go situation, despite the strong position taken by Mr. Jordin, who has all the facts and figures at his command. It was our thinking that some changes could have been made in management, some charges that have gone to either Montreal or to the States for management could have been avoided. It is our understanding that some changes could have been made in marketing procedures and in marketing product lines and with a general slimming down there was a possibility of being able to show sufficient return on capital investment to have justified this company staying in business.

I do not know whether there is anything else I could add. That was off the top of my head. I did have several meetings with the employee group, I met with them both in Ottawa and in Queen's Park, and I would be pleased to answer any questions you may have. I know I have been short and quick, but I am trying to save time too.

The Acting Chairman: It is a very serious subject so we do not want you to save the time of this committee; we want to hear all that you have to say. I assume Mr. Eakins will have some questions of you from the statement you have made.

Mr. Eakins: What is the situation at the present time in

regard to the placement of the employees, Mr. Simpson?

Mr. Simpson: I am aware of the fact that some of their local top management and mid-management people have found employment elsewhere. I am not concerned, and I have never been concerned, with that type of employee. He has unusual or extra talents that can be gainfully put to work in other areas of endeavour.

My concern has always been with that hourly-rated employee whose expertise amounts to operating a machine in a spinning mill or in a carpeting mill and, when taken from that environment, does not have the expertise always required in another plant. In other words, those at the lower end of the scale in our society for some reason or other always seem to get the full blast right in the face. That is the guy I am concerned about.

Mr. Eakins: With about seven minutes to go and others wanting to ask you some questions, I wonder if you have any particular thoughts to leave with this committee, knowing the background of the committee and what its work is. Do you have any particular thoughts?

Mr. Simpson: I could suggest to the committee, John, that of the two plants, a sale for the small 27,000 square foot plant on the highway could probably be handled in the near future and a manufacturing operation put into that building that probably would represent more employment than is there at present.

My major concern is the large plant, the 250,000 or 300,000 square foot plant. That is an enormous plant and is going to take a huge company, probably an international company, to come in there. Those things happen six or eight times in all of Canada; every community that has a commissioner and has paid good bucks are all after the same six or eight or 10 people.

The only way that plant is going to work is with a strong effort on the part of the Ministry of Industry and Tourism of this province in conjunction with my efforts. I would say that at this time that effort has been forthcoming. I was into the plant and had some people through there, with Mr. Jordin's permission, a week or a week and a half ago, another mystery international company. They are interested in that building because of the size of it and because it has 37 acres of land attached to it and we could make available the other 40 that we purchased from Mr. Jordin's company.

Just to correct an impression there, I think Mr. Jordin's words were that we made a swap; that swap was, in fact, that we paid \$6,000 per acre to Armstrong for unserviced land. We needed it, we assisted them in acquiring the Linden Valley plant, and in return they made available for \$6,000 an acre the land we badly needed for our new industrial park and for which we have also received provincial assistance for services under the Ontario industrial park program.

Mr. Eakins: That would be some of the land then that

Lindsay put together initially to encourage Armstrong to come in the first place, in 1966?

Mr. Simpson: That is correct.

The Acting Chairman: I was just going to add, Mr. Simpson, we, as a committee, did give you short notice and you have given us your information to that extent, but would it be possible for you to submit some of your thoughts in written form, in a brief, showing all the facets of how an industry leaving a community does affect the community?

You have mentioned taxes, hydro, water, sewerage, industrial land, bus transportation. All of those things are part of the municipal decision you made originally in locating that plant there.

Mr. Simpson: I would be happy to make that attempt, probably some time after Friday. I am lecturing to a high school group tomorrow on the benefits of industrial development and I am hoping, in the meantime, I can get myself in the proper mood to do justice to those students.

The Acting Chairman: I think we could be well served by the information you have.

Mr. Simpson: I would be delighted to.

The Acting Chairman: There is no rush to get it in, take your time on that.

Mr. Simpson: I would be happy to do that.

Mr. Van Horne: Could I have a supplementary? Given that there are others like you in the province, you meet on occasion to discuss matters of mutual concern. As you follow the activity of this committee through reports in the media, if you perceive us to be heading in a direction that perhaps we should not be, or if you think there is something we are missing--I am sure in the next few days you will have afterthoughts about this--would you be kind enough to let us know what other directions or avenues that perhaps you did not think of today we should be pursuing? We are seeking a bit of direction at the same time we are asking questions.

Mr. Simpson: I would be delighted indeed to make that attempt. It is a new experience for me, appearing before a parliamentary committee. I assure you when I arrived here today I just was not sure what to expect and I think there probably will be other people who will feel the same. We are somewhat nervous, perhaps no more so than yourselves.

Mr. Van Horne: You know more than we do, you should not be nervous.

The Acting Chairman: Mr. Simpson is quite correct there. For some of us it is our first time on these committees also.

Mr. Renwick: Mr. Chairman, you forecast what I was going to say. I wanted to say, as I said to Mr. Jordin, that I appreciate the effort you made and the courtesy you extended to us in coming on such short notice.

We have startup problems and always have to iron out some of them as we go along. I am particularly anxious--since we will not be able to attend your lecture at the high school tomorrow; maybe that would have been a useful thing for us to do--that you put down in writing for us what you have said here and in as much detail as you care to do that.

I would also hope, if you had any feeling at all that you wanted to come back to the committee and elaborate on any of your comments, after you have had an opportunity of reading the transcripts for today and tomorrow, that you would feel able to do that, inasmuch as the impact on the community affected by shutdowns is one of our major concerns as well.

Mr. Mancini: I have a question of Mr. Simpson. You are the industrial commissioner and have the task of travelling to different parts of Ontario and Canada to meet with businessmen and to try to encourage them to locate in your community. If it became law, following a recommendation of this committee that corporations would have to justify their plant closings and make available past audited financial reports, would you consider that to be a handicap in attracting industry?

Mr. Simpson: Mr. Mancini, I am not a skilled economist so I could not answer from an economist's point of view. But prior to working in the field of industrial development, I worked 36 years for a worldwide company, so I have some insight into their feelings.

I would see it as a deterrent to future capital investment in our province if we were to impose those kinds of restraints on any corporate body, Canadian, American or otherwise, given the choice of taking that capital to a more favourable and not so strictly controlled climate.

Mr. Mancini: Maybe when you consider that they are doing that anyway--

Mr. Simpson: I have always had to work in the free enterprise system. It may not have been the best one for me, but it is the only one I know.

Mr. Mancini: I didn't say anything about eliminating the free enterprise system.

Mr. Simpson: But you are talking about restraints.

The Acting Chairman: Mr. Simpson, have you any comments you might want to make, flowing from the questions you have heard, or any other thoughts on the subject?

Mr. Simpson: No. I would like to digest what I have already heard. I have made copious notes on Mr. Jordin's testimony

and I agree with the major portion of it. Some of it I do not agree with, and I would like some information for further study and analysis.

After I put my thoughts together, plus the words that I have used here today, I would like to put them in writing for the record. Perhaps out of that effort will come some new thoughts.

The Acting Chairman : As well as the background information that you will be providing us, perhaps you will offer us some suggestions, if you have any, for possible legislation to alleviate the problems resulting from shutdowns.

Mr. Simpson: You have to be careful with those types of suggestions, if they go over well with the council that sits behind me. Some of them were elected on Monday for the first time. A great deal of political sensitivity goes with the job of industrial development commissioner, as I am sure you are aware. I try as hard as I can to sit on the fence, but being a rather bombastic type of individual, I have difficulty with those political suggestions.

The Acting Chairman : As a politician, I know what sitting on a fence is like. Thank you very much, Mr. Simpson.

The committee adjourned at 5:05 p.m.

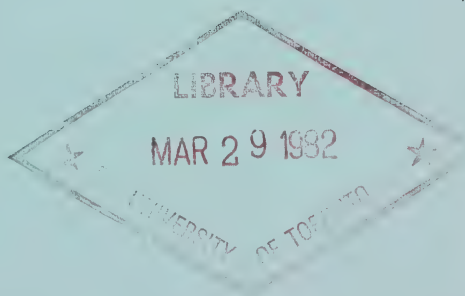
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

ARMSTRONG CORK CASE STUDY

THURSDAY, NOVEMBER 13, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Substitution:

Eakins, J. (Victoria-Haliburton L) for Mr. O'Neil

Martel, E.W. (Sudbury East NDP) for Mr. Cooke

Clerk: White, G.

Researcher: Jennings, R.F.

Witnesses:

From the Amalgamated Clothing and Textile Workers Union:

Clark, C., Co-director

Coombs, E., Member

Herman, J., Research Director

Tracey, T., President, Lindsay Local

From Armstrong Cork Industries Limited:

Jordin, J. N., President and General Manager

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, NOVEMBER 13, 1980

The committee met at 4:07 p.m. in committee room No. 1.

ARMSTRONG CORK CASE STUDY
(continued)

Mr. Chairman: I will call the meeting to order. We should proceed into our hearing of the submission from our witnesses and the questioning. The alternative is to discuss a couple of committee matters that I think, with your permission, we should leave until just before we adjourn. Those matters could wait for another day.

We are getting a later start than normal, and in the interests of time, I would like to welcome the witnesses and thank them very much for coming. I know that you had an opportunity yesterday to see, to some extent, how the committee operates and the time problems associated with committees who are anxious to ask questions of those who have taken the time to come before us.

I think we should begin and, if I may, ask if you would be kind enough to introduce yourselves for the record. I understand you want to refer briefly to your submission in an opening statement. Then we will get right into the questioning.

Mr. Clark: Thank you, Mr. Chairman. My name is Charles Clark. Everybody knows me as Bud.

I would like to introduce Tim Tracey, who is the president of the Armstrong local; Edith Coombs, who is one of the workers; and Jim Herman, who is my research director.

I propose to read the major part of the brief and then ask Mrs. Coombs to read her own statement, which is also in the brief, along with three other letters; and then make a couple of comments before we turn it over to the committee members for questions.

Mr. Chairman: Just before you begin, I want to inform members of the committee that we are going to be graced, permanently, with the presence of Mr. Elie Martel, who is replacing David Cooke.

Mr. Clark: The Amalgamated Clothing and Textile Workers Union is using the example of Armstrong Cork in Lindsay to show that the laws in Ontario are not adequate. Armstrong is just an example. There are many other foreign-owned plants in several sectors of our economy which have shut down without justification in Ontario and elsewhere in Canada.

It is our understanding that Armstrong Cork tried to sell their carpet plant in Lindsay, prior to the announcement of closure on July 3, 1980. During that period and for some time

previous to that, the company was realizing a profit. Since the closure announcement, however, several distributors have cancelled Armstrong orders and its sales system has deteriorated. It is questionable whether or not Armstrong Cork's Canadian carpet division is viable today.

It is, unfortunately, too late to save the jobs of the 300 employees of the Lindsay plant. It is our intention to use the Armstrong Cork experience as an example of what happens, on an alarmingly frequent basis, to workers in Ontario when their jobs depend on decisions made in corporate boardrooms outside this country.

We further intend to use the example of the Lindsay workers' plight to show the failure of the Ontario government to meet its mandate to govern effectively and to protect the interests of all of the people of this province.

4:10 p.m.

Subsequent to the layoff announcement at Armstrong Cork, the federal Department of Industry, Trade and Commerce informed us that the company was making a profit with only 20 per cent capacity utilization in the tufting department and 33 per cent utilization in the finishing. ITC states that successful Canadian carpet manufacturers operate at a 60 per cent capacity utilization rate and export 12 per cent of their manufactured goods.

It is obvious that a company the size of Armstrong World Industries, which is shown in appendices one, two and three, has both the resources and the marketing skills to increase further the profitability of their Canadian carpet operations. Armstrong operated at the high end of the market only. Their carpet retails for approximately \$20 to \$30 a square yard.

Industry, Trade and Commerce stated the three areas where Armstrong could have moved to increase the viability of manufacturing in Canada: (a) They could have increased their domestic market by diversifying into the middle price range; (b) they should have been exporting a portion of their manufactured carpets; and (c) Armstrong should have built a market for the sale of yarn; they have production capacity but failed even to attempt to build up a market.

The response by governments to the problem of this viable industry being closed has been nothing short of negligent. It should be noted that the mayor of Lindsay, in a deputation to W. R. Teschke, the senior assistant deputy minister of the Department of Industry, Trade and Commerce--see appendix eight--stated the town's concern and suggested several possible solutions. Governments have failed to act in any positive way regarding Mayor Flynn's suggestions.

Herb Gray, the federal Minister of Industry, Trade and Commerce, expressed his confidence--see appendix six--that the company would be bought and continue its operations under a new management. This has not happened, nor does it appear a likely possibility at this time.

Robert Elgie, the Ontario Minister of Labour--see appendix seven--shamelessly states, "I believe that the present termination provisions of the Employment Standards Act, which were the model for other jurisdictions when they were introduced, continue to be fair and realistic." The present termination provisions, which Mr. Elgie is so proud of, were put into effect in January 1971 and are certainly not the model for other jurisdictions in 1980. In fact the government of Ontario should look at other jurisdictions to find humane ways of updating our antiquated laws.

For example, in Sweden, workers, their unions and the labour board must be notified six months before more than 100 people can be laid off. New jobs are then created using corporate reserves that must be set aside, by law, for that purpose. In West Germany, workers must be informed through an elected council before tentative layoff or shutdown proposals can be dealt with by the company's board. In Britain, workers must be paid one and a half weeks' severance pay for every year of company service. In France, not a single worker can be laid off without the permission of the government.

All European Economic Community member countries have been directed to require companies to consult with workers to find ways of avoiding layoffs. In these countries layoffs must be justified to the various governments.

Even in Mexico, two years' notice must be given before a foreign-owned company can shut down. In Latin America workers receive as much as one month's pay for each year of service. In Japan, Italy and Spain, workers receive from one to three years' earnings if they are laid off.

The laws in Ontario are simply not enough if we wish to have a stable economy and discourage companies from moving operations elsewhere. Most of the countries listed above have an unemployment rate far less than that of Ontario. We believe that substantial layoff notices, justification for layoffs and meaningful severance benefits must become law in Ontario.

In all fairness it should be noted that Armstrong Cork gave both notice and severance benefits in excess of their legal obligations, as shown in appendix five. If they can, then other companies should be forced to.

In order to impress upon the government the very human nature of the problems stated in this brief, five signed statements from employees of Armstrong Cork have been included as appendices 10 to 14. People of Ontario lack protection, and the resulting economic and social costs cannot be estimated.

The Amalgamated Clothing and Textile Workers Union demands that the government of Ontario act immediately to initiate a full employment program, and enact the legislation proposed by the Ontario Federation of Labour to protect working people in this province. That is as expressed in appendix 15.

I would ask Mrs. Coombs, if she would, to read the letter that she wrote to one of the reporters, or our research director.

Mrs. Coombs: "Caley Coombs, father, 61 years old, 24 and a half years at Armstrong; Edith Coombs, mother, 63 years old, 12 years at Armstrong; Janet Dean, daughter, 29 years old, 12 years at Armstrong; James Dean, son-in-law, 33 years old, nine and a half years at Armstrong; John Coombs, son, 27 years old, nine years at Armstrong; Sandy Carew, daughter, 26 years old, nine years at Armstrong.

"James and Janet have a mortgage on their home. Sandy's family depend on her income as they also have a mortgage. She has another job now, at less than half her hourly wage at Armstrong, in seasonal employment. She will still be unemployed approximately five months a year. Her income is used to pay the mortgage.

"Although John's wife works part time for minimum wage, the family income will not be enough with John unemployed. James has a floor sanding business that he has been trying to establish. He has loans on a truck and equipment. Without the two wages, he may lose the business and/or the home.

"I will get an old age pension at the end of next year. My husband will not be 65 for three and a half years. We are both going to take early retirement because we see no hope of getting jobs at our age. Because we are not working until we are 65 years of age, we will not get the retirement income that we expected.

"My husband had a nervous breakdown several years ago and I am concerned about his condition because of the pressures we are going to be living with. Even with early retirement, my pension will be only \$81 per month and my husband's pension will be approximately \$181. This is far short of two incomes."

Mr. Clark: Mr. Chairman, I would like to stress to the members of the committee that we are not looking at Armstrong Cork as being the villain in this play. If anything, the Armstrong Cork Company treated our members as fairly, as openly and as honestly as any company under the present laws and under the present structure could be expected to do. I can only say that I concur in most of Mr. Jordin's remarks yesterday. The relationship between our organization and that company has been of the highest calibre.

I think truly, though, that what Mr. Jordin said yesterday, not once but several times, brings the committee to where it is at. He said it honestly and he said it as a corporate manager should say it. One of his statements was that it is always an unpleasant thing to shut down a plant. Let me assure Mr. Jordin--I know he meant well--from a corporate point of view it is very unpleasant, but from an employee point of view, it is a hell of a lot more than unpleasant. It is catastrophic, it is traumatic and it is deadly.

What I would say, as Mr. Jordin later added, is that money is the way. The company felt, whether they were making money or not, or whether it was adequate or not, that it was not enough for Armstrong. Never mind that it was not enough that the result of that company board decision was going to say to 300 workers, "You are not going to have an income;" their decision was based frankly on a financial, capitalistic program of "We want a certain amount

of return for our dollar invested." That is valid thinking from a corporate point of view, but damned unfair and unjust from a humane point of view.

I think Mr. Simpson, the gentleman who spoke yesterday, said it as well as anybody. The union's position is that we now have a small community--and God forbid, most of our textile plants are in small communities--and we are short a 300-member--I forget what Mr. Simpson transferred that to in payroll--tax base in Lindsay. That means not only the 300 workers our union represents, but many families and many more people who are connected with that 300-employee payroll will suffer dang hard as a result of this corporate decision to fold up and move out of the country.

4:20 p.m.

I think without his knowing it, Mr. Jordin has said what this committee will come to realize at the end of your hearings, "Do we look at people or do we look at profits?"

I think these are the only comments I would like to make at this time.

Mr. Mancini: I have several questions to ask of Mr. Clark. I don't want you to misunderstand my questions, but if the laws had have been different in your case, and if the company had been forced to give you earlier notice as to what they had in mind--it was stated yesterday that prior to 1978, using their accounting procedures, there was no profit shown--do you think that they could have sold the company?

Do you think that employee group, which had once talked about possibly buying and operating the company, might have been able to get that off the ground? With all due respect, Mr. Simpson was quite hard on you yesterday about that. Do you recall?

Mr. Clark: Yes, and I appreciate that. I took what he said based on the way that he got the facts. But I don't think that would have had any effect on the employees taking over the operation.

Mr. Jordin is quite right. In the carpet industry, particularly, if you do not have an efficient, countrywide distribution centre, you do not have anything. You can produce all the carpet you want, but you are not going to sell it. The market is just that tight.

The people who were going to make the decision whether they would buy Armstrong Cork, lock, stock and barrel, were not of the calibre and did not have that business moxie, if you want to call it that, to take on that kind of an obligation. There were very doubtful thoughts in the minds of some of upper management whether they would stay with a co-op situation. It is just not an accepted business thing for management to do in this country. We have tried it twice in our union. Unfortunately both times it has failed.

Mr. Mancini: You mentioned in your brief the capacity levels, that you were operating at very low capacity. If Armstrong

World had used some of their profits from other areas of the corporate structure to upgrade the plant you worked in, the plant you represent, with new technology, and upgraded that capacity--I believe you mentioned 60 per cent levels are what the top people are operating at--do you believe that would have made a difference to the Lindsay plant? Do you believe it could have operated profitably and have given a fair return to Armstrong Cork?

Mr. Clark: I think so, despite the trend in the market, and I am fully aware that what Mr. Jordin said yesterday is true. On the face of it today, the carpet industry is in one of the biggest slumps we have had for some time. The building trade is far down, building starts are down. Everything is down. The cost is up and everything else is down.

Of course people are not buying like they were two years ago. But that trend, like anything else, will change, I hope. If this company is going to come out of this economic slump, we have got to start buying. Whether we buy homes, whether we buy apartment buildings, or whether we buy, as was pointed out by Mr. Jordin and myself, new carpets for this building, something has got to be done.

Mr. Mancini: We do need new carpets.

Mr. Clark: Yes, you certainly do.

Mr. G. Taylor: They are very much an embarrassment.

Mr. Clark: You could help our industry out no end by simply outfitting this--

Mr. Mancini: Mr. Jordin wants to take an order. Can somebody speak to him?

Mr. Clark: I know the cost of updating textile equipment. That decision is a very crucial one for any corporation to make. Harding Carpets made it. They are showing a loss right now. They have been showing a loss for the last year and half to two years anyway.

But with Peters carpets and some of the other ones going out, the market share for those giants that stay behind is going to increase. I would have thought, as a quarterbacking Monday morning kind of thing, that Armstrong could have been one of the giants quite easily.

Mr. Eakin: You referred to distribution, Mr. Clark. Would you like to enlarge upon that? You thought one of the problems was distribution, and in your remarks you also referred to diversification, which I agree with. Probably this has been one of the problems. But could you enlarge on the other aspect?

Mr. Clark: Once you have a distribution system--and the distribution system in the carpet industry is a costly, massive network of outlets in every community in every major source of home goods and home furnishings in Canada--either through dealers or through Simpsons-Sears, Hudson's Bay or what have you, then

instead of producing only the top line of carpet, you can go into the medium grade under another brand name. Companies have a way of putting out five or six brands; it does not have to come out as their top name product. You can utilize the same distribution system. If you go into The Bay or Simpsons, you can find carpet from \$6.99 a yard up to \$40 with no problem at all.

Whether it was a deliberate management decision--we are not privy to that, of course--we felt there was no real effort, if you want to put it that way, to make that plant an efficient, up-to-date, modern tufted carpet mill.

Mr. Jordin referred yesterday to Westmills in Calgary. Westmills went to the wall two years ago. They came to the union and asked for an extension of our agreement for one year in order to get a secured loan from some investors. That money was obtained and they are now doing fairly well out there. It looks as if the corner has been rounded for those people. We felt that could have happened with Armstrong.

Let me say that Armstrong--I don't want Mr. Jordin to go back to his directors and tell them how good a job he is doing unless I get a percentage of the wage increase--is an efficient corporation. They operate, customerwise, as efficiently as any corporation could. We just think that they didn't utilize that customer service.

Mr. Eakins: Diversification is the key.

Mr. Clark: One of the things, yes.

In the carpet business many mills, for example, the Cornwall Spinners and the Kingston Spinners, do nothing but make carpet yarn. They sell it to the tufted operators. If Armstrong ran short, they could put an order through Kingston or Cornwall. They, too, could have overproduced yarn and put it on the market for sale, utilizing their equipment and getting a better productivity out of it. They chose not to.

I know it is a ticklish market to sell to your competitor, but Harding did it for a long time. They have since stopped doing it, but they can do it if the will is there.

Mr. Mancini: Is it your belief that Mr. Jordin was sent to Canada to close down the operations? It was pointed out yesterday that it was after his arrival in 1974, I believe, if my memory is correct.

Mr. Chairman: Come to think of it, that is when oil prices started to rise too.

Mr. Mancini: He closed down the Peterborough operation, if my memory is correct. Then, I take it, he did some consolidating in Lindsay and almost immediately thereafter tried to sell the Lindsay plant. Then, having failed to do so, he issued the order to close.

Is it your belief, as a person intimately involved in the

operation of the plant, that that is why he was sent to Canada?

Mr. Clark: Let me be fair to Mr. Jordin. If he was sent to Canada to shut down Lindsay, he is a very slow operator. We have had them come in and do it in six months.

4:30 p.m.

The closing of the Peterborough operation was a valid, honest decision, there is no question. That was a woven carpet mill which is out of existence. I do not think there is a woven loom in Canada operating today in the commercial trade. There maybe one tucked away somewhere we do not know about, but not as I know it.

It was antiquated, costly, it was just gone; it was gone with the 1960s and 1940s. When the tufted machines came into the industry everybody wanted tufted carpeting. It had variety, it was cheap, any colour, shades, any pattern you wanted. The Peterborough plant was an extension of the old days, long gone--and they tried to keep it going, as he rightly said. They thought they would be able to produce the little bit that Canadians might want to buy, select customers in Canada might want to buy. It just did not work.

The decision to close that plant was a godsend because it was a dead end street. There was no money, there was equipment that came over with the ark type of thing. When they went into Lindsay it was at that time that the gravy train was running in the tufted industry.

Let me tell you, the gentlemen in the carpet industry in Canada who were in from say 1957 on, really cleaned up. Then as with most things, they glutted the market. That is really what happened. Too many guys jumped into it. They flooded the market.

You can find tufted machines, gentlemen, you can find two or three tufted machines in garages and they are being run and selling through Carpetland and these places that advertise three rooms for \$295. You see them in the paper all the time. They get ends and cheap carpet. It is pretty hard to compete with that stuff except that once people learn, as we all learn, when you buy something cheap you get what you pay for and that is it.

Mr. Mancini: Mr. Chairman, I wonder, have we requested information as to what has happened to all of the employees at Armstrong Cork? I know we have this lady here today, she is telling us what basically has happened to her. But I am interested in the whole 300. I wonder if we have requested that information and if it is going to be forthcoming.

Mr. Chairman: Mr. Mancini, I do not think there was a formal request, but that sort of thing has come up in a general way.

Mr. G. Taylor: Mr. Jordin gave those general figures yesterday, in your absence, Mr. Chairman, but not in detail as to

where the individuals went. Just a general picture of what has been done with them.

Mr. Mancini: It is a thing I would like to get a good handle on--and we appreciate the comments of Mrs. Coombs: What happens to people who worked there for 10 or 15 years and may be older, what exactly were their severance benefits, what their pension benefits are going to be, exactly where do they stand.

Mr. Clark: That is all in the brief.

Mr. Mancini: Oh, it is all in the brief.

Mr. Clark: Yes, the complete settlement with the company. As I said in my earlier remarks, that is not our bone of contention. We have not made that a point between us. But you see when Mrs. Coombs reads out her letter--and we have four of those in there. That is the tragic part of this. That is what I got so upset about yesterday when we went on until five or 5:30 p.m. and one of the chaps we had here had the opportunity for a job interview today, and thank God that he took that job interview today. We are concerned, not whether they be given this money, and that kind of thing. What we are concerned about is that tomorrow, I think it is, the last guy walks out of that door.

When we leave this committee and when the other people leave this committee, to all intents and purposes that will be the end of Armstrong Cork, but it will be the beginning of a hell of a life for some 200 or 300 people left in that town. We do not know what to do. We will do whatever we can do to assist.

I have sat before the federal government's tariffs and quotas committee, textile and clothing committee. Let me say, you just do not take people from small urban communities and transplant them willy nilly across the face of this country. It is a bloody myth.

I am not accusing this government. It is the federal government's attitude that we will retrain them. Retrain them for what? To be an unemployed welder? To be an unemployed something else? Because no matter what trade or job you talk about, the unemployment line is as deep and as long in that line as it is in any other line.

People in our industry are basically--not all by any stretch of the imagination--basically an unskilled, fairly uneducated group of people. That is where the crunch comes in. What the heck do we do with 300 people in a community like Lindsay? Because ultimately, we will be responsible for those 300, whether it be through unemployment insurance, or welfare or whatever it will be. We will have to pay the shot.

Mr. Mancini: If for example, there was a board here in Ontario where the corporation had to prove that the closure was economically justified, what type of severance benefits and other benefits would you deem to be fair? As you know and you have already stated the present legislation is outdated and the company went way and above over the present legislation, even though the

law did not require that. I wondered what your feeling on that would be.

Mr. Clark: There was some a great deal of discussion yesterday and I really missed the intent of that questioning, but it went on for some considerable length of time as to the amounts of depreciation--it might even have been you that got into it.

Mr. Mancini: I asked them. They were very good questions.

Mr. Clark: This company was putting \$400,000 a year away for depreciation. Our thoughts are, in addition to whatever the Ontario Federation of Labour has on the table for the solution, our thoughts are if a company or corporation thinks that much of its machinery and its assets, its material assets, then surely there should be an equal amount set aside for employees.

Nobody kids anybody. Those things that the Armstrong Cork settled with us to give these people a reasonable severance arrangement, with all respect to the company, with no disrespect to them, it is bugger all.

When we come to the end of the trail like we will tomorrow and then let us say that 50 of them are eligible for early retirement like Mrs. Coombs might be, 250 will go on unemployment. Let us say that out of that, 50, 60, 70, or even 100 get a job, 150 will be on unemployment. If that lasts longer than a year, as it has in the Windsor situation, one year from tomorrow 150 employees will be looking for welfare.

No matter what you would say the company must do to give, it would be like a Band-Aid trying to stop an artery from bleeding. You just are not going to do it by that kind of stopgap. It has to be long term.

Mr. Mancini: You are interested in preventing the closure altogether instead of worrying about what the benefits will be.

Mr. Clark: My feeling is sir, with that company or any company, I do not think--we will be back before this committee because Armstrong is not our villain whatsoever. We will be back before this committee with, we hope, Mr. Chairman, a more in-depth brief. Because, not only do we have Armstrong closing down, we have a hell of a pile of plants closing down, where we will show you worse examples than this.

My feeling is as long as a company--I know that is getting into, what do they call it, the private sector and telling them how to run their ship, but damn it somebody has to do something for people around here. As long as a company is making a profit and not losing on its original investment, then surely there should be some compulsion to keep that company in business. Surely there should be someone who should say to that company, "All right, you made 15 per cent through the 1960s when the gravy was running, so now be content with three per cent when the gravy has slowed down a little bit."

Because I will tell you when our people go to the bargaining table, we share the same way. If the profits of the corporation are high, we tend to get higher settlements, but by God when the profits are lean, we have to take the lean settlements as well. Now providing we are both willing to share that little bit of pie, whatever it might be, then surely both sides should be compelled to share and keep that thing in operation.

Mr. Mancini: What would you suggest should be done if, for example, laws like that were in place, but the company says, "No, we are not operating it"?

4:40 p.m.

Mr. Clark: I heard a speech and I thought it was hilarious until I found out it was the truth. I thought I had never heard anything like that from a government source. Please do not ask me who, how or when. I will tell you exactly what I heard and take it for what it was.

Bob White was making a speech on the steps of this parliament building on October 18. The question came up about making corporations responsible to the community and to their workers.

Somebody in the government said: "We cannot do that. We do not have the power to do that." Then he said some paint was spilled accidentally from a ship on to some Ontario Provincial Police cars down at the Queens Quay. And one of the government members said, "Bloody well seize the ship until they make good the damage to the those police cars." That is on the record, I am hoping Bob is right. I am quoting him as best as I can remember. I don't know who, I am not in the position to accuse or not. I am just telling you what I heard.

If that is the case, then maybe we can say to some companies, "You bloody well stay, or there is such and such a penalty for leaving," as in Mexico, that the price makes the decision making in a corporate boardroom.

I am not anti-American. I do not buy this crap that is going around today that it is all south of the border. We have one hell of a lot of plants owned by English money and Pakistani money and now we are getting Iranian money and eastern money. None of them have a loyalty to this country.

Mr. Mancini: It is all foreign.

Mr. Clark: Certainly it is. I do not blame the Americans any more than I blame any other group that has vested interests around the face of this earth. They will go where they feel they can make the best deal. I think it is time, as businessmen and as people who look after a country, we say to them, "You will go only after you have met certain qualifications."

I think that as in Mexico, they will buy that.

Mr. Mancini: Do you buy the argument that has been put

forward to this committee by several different individuals? The Minister of Industry and Tourism (Mr. Grossman) was here one day and I was questioning him and he said: "We have to compete with the sunbelt states and we have to compete with all of these other people. If we do all these things we are requested to do, we will not be able to get the jobs here in the first place."

Do you buy that argument at all?

Mr. Clark: My grey hair tells you that I am a little older than what I look, but let me tell you, I do not buy it worth a damn. I heard that when I was a young lad and had just come out of the army, when they were telling us they could not increase the minimum wage in Ontario because it would bankrupt our tourist industry. Our tourist industry makes more money today than it ever made. We are still a profitable and, I hope, employable province.

Mr. Eakins: It is \$7 billion in Ontario.

Mr. Clark: That is not bad. I am sure Mr. Jordin would keep his company alive if he could look at that kind of a figure at the end of the deal.

Mr. Mancini: Thank you, Mr. Clark.

Mr. Chairman: Thank you, Mr. Mancini. Mr. Taylor, Mr. Mackenzie and Mr. Eakins.

Mr. G. Taylor: Yes, Mr. Chairman, I have had many of my questions answered, not from the questions Mr. Mancini put, but the ad libbing you did, Mr. Clark.

Like you, I have come to the conclusion that the committee has to head somewhere, which means an improvement in the present existing laws.

The difficulty has been in how philosophically your position might be compared to others when you get into these very difficult situations. You mentioned one about how do we, in effect, having looked after all our workers, which is the prime concern of this committee--because we have other laws that corporations will make their decisions on and bow to and make whatever arrangements they may, but we still have to have a good economic climate in which to invest--how do we second guess, I guess it is, the corporate decision?

As a legislature, how do we frame that second guessing? Because there have been boardroom decisions, economic decisions, all of those that Mr. Jordin and his people have made, as a piece of legislation.

How do you foresee this--I will call it Monday morning quarterbacking or second guessing? Do you set precise limits on it, such as, if you are two per cent you stay open; if you are 10 per cent you stay open, but down below two per cent you can close? How you foresee that? We do not have your Ontario Federation of Labour brief yet, that may have more details as to what the

position is, but I would just like you to answer that in a general way.

Mr. Clark: I will try my best. I just left a meeting this afternoon, where we are putting people back to work after three weeks on strike, for a settlement that no people should have to go back to work after; that is how bad our industry is.

I happen to be the Canadian director of a union that has gone down from 500,000 members in this country to 250,000 members. I have lived with it; I have been in this union work since I was 18 years old. And it kind of gets to you after a while, when you suffer with companies through the bad times.

In the cotton industry in this country, we went through times like nobody would believe. Finally, the cotton industry moved out of Canada to all intents and purposes, other than Quebec where Dominion Textiles still operates to some great extent.

When tufted carpeting came in, it was like a breath of fresh air into our industry. It was something we could do efficiently, as good as anybody else; and we did it, and we are doing it.

Now the market starts to shrink a little bit and the guys--again, I am talking generally now; I am not talking about Armstrong--who grabbed off the cream are taking the money and running type of thing; and to hell with those who are left.

Yes, I think there is an answer. If you say to me, "What is the percentage level on a profit investment?" I could not tell you that. I am not an economist. I would not know at what level to bail out of the ship.

But I would think, if I had a corporation that made money for five or 10 years or whatever period of time, some of them 20, and suddenly the well starts to dry up a little bit and it means pulling in the belt for the employee as well as for the investors and shareholders, I would think there should be some time limit they would have to go.

I do not mean to drive them into bankruptcy. Who wants to see a corporation in bankruptcy? But, surely, if there is a profit, if there is some blue ink on the edge of the God-damned sheet, there is some corporate loyalty or some corporate responsibility to the community at large and to the employees in particular to stay and keep that operating as long as they can.

To make the decision otherwise, to take the other stand and say, "We have fallen below six per cent"-- Why would people put money into Canada savings bonds? What the hell, you could go out on a risk market and get more than that. But you have to have some kind of loyalty and some kind of commitment to your country. If it means that you take one per cent less on your investment or two per cent less on your investment, that is the price of having the country and the democracy you are in.

I would not answer you quite frankly; I couldn't. I couldn't say at two or three. But I would say to you, quite honestly, if

that company is making a profit, then they should stay and they should be told to stay.

Mr. G. Taylor: I guess, putting words in your mouth, you would foresee some type of committee, tribunal, body that would have to insert themselves into the corporate makeup of a company to review entirely their program to say, "All right, you now must justify what decision you are going to make."

Mr. Clark: There could be several ways. One way would be, a corporation that came--whether or not they received some grants from the government, whether or not they were fully viable, as Armstrong was--when they apply for a licence to operate an industry in Ontario, with that there should be a rider clause that X amounts of money will be put aside.

Now, that does not mean that the company has to give it to the government or they have to invest it with a firm where they will not get a return. But it must be put aside the same way you put aside for a pension program. Whether it be one cent an hour or five cents an hour or whatever sums of money, that money would be locked in. No matter what decision the corporation made somewhere down the line to go out of business, that money would be available for either the taking over of the plant by a co-op, if the funds were sufficient, or easing the burden; because no matter how much money you had, we would end up with, say, 150 on layoff down the line. But it would ease it somewhat.

Somebody said to me that one of the chaps from Armstrong has secured a job in Windsor. I find that incredible. I don't know what the hell we're doing. We have a 15 or 18 per cent unemployment factor in Windsor and yet we take a guy from a town like Lindsay and he travels 300, 400 or 500 miles to go in and grab a job off that 14 or 15 per cent unemployed; and we have one less on the unemployment roll in Lindsay. I just find that incredible. That one just boggles me.

4:50 p.m.

Mr. G. Taylor: I have a couple of further questions on the Armstrong Cork people themselves; on the extra provisions you have negotiated and have agreed upon for closing. Pardon me for some of the ignorance I have on this subject, but how did they fit in with what may be forthcoming on the other programs that are in existence; such as unemployment insurance, some may be obtaining welfare--to use a generic term--at some point in time? How will they coincide to enable any of those people to get over that immediate hump? Are there great hardships which I recognize there will be?

Mr. Clark: Yes.

Mr. G. Taylor: Is there a smooth transition or is there going to be some very crucial crunch time for them?

Mr. Clark: It will be very crucial in this respect. It would depend on the length of service the employee had, number one, as to how much severance pay he would get. If he received six

weeks' severance pay or eight weeks' severance pay, his crucial day will not come until six weeks or eight weeks down the line. In the meantime, he is expected to go hustling, looking for a job that is not there.

More important, he is given the six weeks--and that is, I suspect, where the cushioning effect comes in--in order to stretch out what little bit he has, to reduce his spending. Most people, whether they be in automobile plants or carpet mill plants or what have you, live to the limit of their income. Very few people have that kind of luck to tuck away for a rainy day.

Mrs. Coombs is a perfect example. Here they are within, what, two years of being to their pensions, and now what they work all their life for takes that.

I really do not know the damage that is going to do to individual people. Mrs. Coombs and her family are facing it now. She was laid off this week; was it this week or last?

Mrs. Coombs: No, I was laid off at the end of October.

Mr. Clark: The others will come out of that plant tomorrow.

Six weeks' severance pay, so six weeks down the road the thing hits home. In the meantime, in six weeks he has a bit of extra money. What do you call "extra"? He has that lead time.

Mr. Jordin is quite right. One of the conditions of the severance pay was that we retain a work force. You have to work out that product. You have to get it out of the machines and work it through.

The communication and the agreement between the company and union were perfect. Where a guy could get out and get a job, things were moved around and that was worked out.

In some companies if a guy leaves the shop before the time he is supposed to leave, the severance pay is cancelled.

These are criminal things. These are things that you gentlemen will hear about from other unions; these are most damaging. You make out a deal with an employee. Let's assume, for example, that Tim Tracey, who has some mechanical training, could pick up a job in General Motors tomorrow or last week. Under some conditions, if he left the company before the severance day he was told he is going to be through, he forfeits his severance pay.

That puts a hell of a strain on a worker. He has an opportunity to go here for a job. If he takes the opportunity to go to the job--which is kind of iffy anyway, it might last three weeks, it might last three months--he cancels whatever severance pay was coming to him from this company. That's wrong.

Mr. Eakins: That has happened.

Mr. Clark: That's right. I am not saying it has happened

in Armstrong, but that has happened. That has happened in our plants and it happened in Houdaille. I am sure that in Houdaille they were giving those guys that treatment.

Mr. Renwick: It is in appendix five of your brief. If you do not stay, you lose your severance.

Mr. Clark: That's right. But I think in here there were some concessions made so that that did not take effect. But it is there. It is a dangerous thing.

The crucial time will come to each employee, as I would see it, when he meets the day when he has not got his money any more.

Some reporter was here yesterday. I do not know from what channel. They were talking of going up to film the people coming out of that plant. Let me tell you: I am not sure I could be at the end of a camera to see what will come out of that plant tomorrow afternoon.

There is a feeling, gentlemen. I do not care what other people say about workers. Dammit, they have a loyalty and a respect for the company where they work. Every worker in this land at work has some personal things; whether it be a picture on the wall or whether it be some small tools. Let me tell you, when they pick up those tools and those little pictures for the last time, I do not know whether psychologists or anybody else can measure what that bloody well does to their spirits and their souls. And nobody will correct that.

And then, young people are expected to come into a work force and be loyal and be respectful and be attentive, all of the things we talk about; and Mrs. Coombs' children look at that and say: "Well, look what happened to mom and dad. My God, they worked all their lives and three years from the time they were supposed to be looking at a reasonable retirement time; they were hustling their behinds, trying to make ends meet to go three more years to come under a government pension program." That's criminal, you know.

Mr. Martel: Eighty-one dollars pension a month.

Mr. Clark: That's right. That's criminal.

Mr. Ramsay: When you were talking about a person having to lose their benefits if they should look for another job or take another job, you said, "It's there." What do you mean by "it's there"? It is not in the Employment Standards Act, is it?

Mr. Clark: No, it is in agreements that are made.

Mr. Ramsay: It is in the collective bargaining.

Mr. Clark: That's right.

Mr. Chairman: May I briefly remind the committee and Mr. Taylor that we have 45 minutes remaining and three more on the list.

Mr. G. Taylor: Let's say there is a federal government program called unemployment insurance, that picks up some of these people, then you would foresee that the provincial government, by your statements in your brief, must do something if there has to be an inevitable closing down. You feel there has to be something in legislation to pick up that space, some type of guaranteed fund, pay-in fund, contribution fund; but there has to be also some type of severance pay to take up that slack in there. You feel that should be legislated in some form.

Mr. Clark: It is a two-pronged attack you gentlemen have to come up with. You have to find an assistance program that carries them, whether it be a supplement to unemployment insurance or whatever. But I would think that the main thrust of the committee should be on--it sounds corny--compelling jobs. We have to have jobs.

You can assist all you want; we will have a depression again. We have to have employment in this province. There is no substitute. You cannot hand out money willy-nilly, whether it be provincial or federal money. We are going broke.

On the CBC program yesterday morning, it gave the number of homes the Canada Mortgage and Housing Corporation is having to repossess because people have not got the money. We are getting so that the government is going to be the biggest real estate owner there is. God forbid that that load gets so heavy that the government cannot take it.

Mr. G. Taylor: They cannot right now.

Mr. Clark: I know. And people tuck their heads into the sand and say, "It's not going to happen." But, my God, when you work where I work, where the employment figures of my members go like this, I will tell you, you know it happens.

I know what happened in Hamilton when 3,000 cotton workers were let go; 2,000 at Hamilton Cottons and 1,000 and some odd at Canadian Cottons. God forbid, people committed suicide. The marriage breakdowns were out of this world. Drunkenness took over. Dependency takes over when you have that kind of massive thing happen.

At that time Hamilton was a fairly big textile centre. My God, today we have three textile mills in Hamilton. You can count on your fingers the number of members we have. And that is in a metropolitan area such as Hamilton.

When you take those same numbers and you look at a community like Lindsay and take 300 people out of that work force, brother, you have problems. When I say "you," I mean you, we, everybody. There are no jobs in Lindsay.

Mr. G. Taylor: That leads me to my last question: Lindsay is a characteristic example of where this government and the federal government had many programs, where there was--I'll call it an artificial infusion of capital into a particular area to create jobs, which, for any number of reasons, initiates the

establishment of a plant there. But, as the program stops serving its initial purpose, the corporate decision is made to remove itself.

With your vast experience in this area, would you say that is an overall good program, because both governments, provincial and federal, and now, even more so, some of the western governments are practicing this, sort of, artificial infusion of capital into areas where they might not normally locate but for that capital? Do you have any combination or agree with those programs?

5 p.m.

Mr. Clark: I think it was the best thing that ever happened. I have lived and worked with people in these perimeters of Ontario--Collingwood, Perth, Arnprior--who is going to locate there? The government has put in some forgivable loan programs and distressed area programs in Cornwall, for example. Cornwall was so far down the chute eight or nine years ago that the government declared it a disaster area. I would think that at least five mills have come into that town since then and, boom, we are back up a little bit. We are not back up to where we were in the heydays and we do not expect to get back up there, but at least another 1,500 or 2,000 workers are employed.

In Collingwood, Harding Carpets alone, not counting the other two or three auto industry jobs up there, Harding Carpets is up around the 450 to 500 employee mark now. If we did not have those jobs, those people would be down here in the golden horseshoe, and God knows there are too many here now.

I think industry has to be encouraged to go, get outside of this God-forsaken industrial belt down here, and out to where the people are, to save their moving, uprooting their families and destroying the closeness that smaller communities have. Take the plant there, they can operate. Today, with the highways we have and the railways we have, there is no reason on earth that everything is not within hours of a metropolitan area.

I am sure that is one of the reasons why Armstrong located in Lindsay. There is a vast work force in the Peterborough-Lindsay area to pool from, and not with the competitiveness that you would have if you moved into Oshawa with General Motors' rates and conditions to compete with all the time.

Our people know that. Other people call us second-class citizens. That is not a hell of a nice name, but we live as second-class citizens. Armstrong, with its \$6 and \$7 an hour rate, is one of the better ones--as I said, the tufted industry was our backbone for a long time--but it is still a hell of a long way from what you would call a lot of money. You take \$7 an hour and multiply it by 40 hours a week, you have got \$280 a week. You knock off what you guys get in taxes, and the guy goes home with about \$175. That is not big money.

Mr. Mancini: The Tories take us.

Mr. Clark: Or whoever; somebody gets into our pockets.

Mr. Van Horne: The response you gave to Mr. Taylor indicated you will be coming back to this committee with a more in-depth brief. You also spoke of the need for jobs rather than just financial assistance in your response to him.

I am wondering, when you do come back, if you would address yourself to the specifics of what you perceive to be a better retraining program, because in earlier comments you were critical of some of the programs; for example, training a person to be a welder for a nonexistent welding job.

Secondly, I am wondering, when you come back to us, if you could share anything that you have done or are doing in so far as looking at this shrinking industry, from \$500,000 down to \$250,000, as it applies to an industrial strategy for both that industry--textile and clothing--and the province in general terms. You may have that on stream already, I don't know. Would you share it with us?

Mr. Clark: We have that because we put it before the federal government.

Mr. Mackenzie: I have a number of specific questions that I want to ask you, Mr. Clark, and also a couple of general questions. Forgive me the observation, but I have a feeling that maybe, through presentations like yours and some others, we are beginning to get through to some of the members in this House.

It was only in June of this year that I sat on a very intensive but short committee, dealing with 600 workers who were laid off at Firestone. We came up with seven recommendations, two or three of which we are now getting some agreement on across the floor of this committee room, and every one of which was turned down by all of the members opposite us, including the Liberal members, just in June of this year.

They included things like enriched severance and some kind of a supplementary fund to tide us over. It makes me wonder a little bit at the commitment of some people on questions that are being asked, when three months ago there were solid votes against every one of those recommendations.

In the House we had a debate, just two weeks ago, over a full employment bill. One of the members made the statement that this government had been providing jobs in this province for the last 37 years. I am wondering if you agree that the jobs have been adequately provided for the last 37 years.

Mr. Turner: It was not by the Liberal government, that's for sure.

Mr. Mackenzie: It was this government, if you read the quote in Hansard, John.

Mr. Clark: We are right now in the middle of preparing a complete list, provincially, of every plant we have had shut down

in Canada in the last 15 years, say. I don't know that I dare go back past that. I will tell you that in the city of Hamilton alone, when we lost two mills, both of which I am sure you are familiar with--Hamilton Cottons and Canadian Cottons--3,000 jobs went down the drain.

Our industry has been one of those that have been in a projected cutback. As we say to the federal government, and as I say to this committee, regretfully, but knowing the facts of life, we will live with that cutback. But, my God, if they open that door any more, you kiss 200,000 more jobs goodbye.

Mr. Mackenzie: I want you to know that in the case of Hamilton Cottons and the other plant in Hamilton, but Hamilton Cottons in particular, I still have constituents come into my office with problems about that. You have a good advocate--she used to be active in your union--by the name of Nellie Howell, who is one of the people who keep organizing them and bringing them in with problems. And there are lots of problems with the hundreds of people who ended up out of work in those particular operations.

Can you tell me when the union was notified of the shutdown?

Mr. Herman: July 3, 1980.

Mr. Mackenzie: Was there any advance notice at all to the union? Was there any formal notification by the company that they were attempting to sell the operation, or about anything, prior to that?

Mr. Clark: No, we did exactly what Mr. Jordin said yesterday. We knew--not that it was Armstrong; it took us quite a while to tap into which one--that there was a carpet mill going on the block. The tradespeople tell us. It was not until just shortly before it became official that we found out, and then we had to make the hell of a choice: Do we go and tell our people? No. I suppose you hope against hope that something will come before that crunch comes. So we didn't say anything. Then, when the company called the committee, it was out.

Mr. Mackenzie: I want to be clear on that. Your first official notice of the deal was July 3. There was no other notice to the union, although apparently some two years earlier there were efforts to sell or to change the operation.

Mr. Clark: That is right.

Mr. Mackenzie: The government also said, I understand from yesterday, and I am sorry I was not here because of the Labour estimates, that they would assist in funding a feasibility study if the workers put some money into it. Is that correct?

Mr. Clark: That is right. Let me explain that. What they were asking the employees to do, as we got it--maybe I will defer and let Tim answer it, if he would, and then I will fill in the gaps. Tim was in on the actual setting up of that committee.

Mr. Mackenzie: What I want to be sure of is that they

actually put the proposition to you, saying, "We will put some money in providing you people"--the workers--"do."

Mr. Tracey: Yes, they did. That proposition was put forward to the people. The amount of money that was going to have to be raised by the employees of that plant was \$2,500. The people of the plant could not raise that \$2,500 because they are facing the situation today of not having a job and not knowing how much money they have coming to them and how long the money they have in a small nest egg--for those who do have a small nest egg--is going to last, or how long it is going to take before they get another job, if they can get one.

When employees or members were approached to shell out of their pocket an amount of \$2,500 towards a feasibility study, and we had to be honest with the people and explain that if they gave us the \$2,500 it was for a feasibility study, from which we could not guarantee any results whatsoever. We could not tell them, "If you give us the money, we can come up with something for you." It was a long-shot deal.

5:10 p.m.

Mr. Mackenzie: Did you not think, regardless of whether or not employees at a \$6 and \$7 level--which is certainly not a very high wage level--could come up with \$2,500, that the amount itself really was sort of a chicken-shit suggestion?

Mr. Clark: Yes, my feelings were--

Mr. Mackenzie: "You put up \$2,500, and we will get involved in a feasibility study."

Mr. Clark: Yes, sure. When I heard about it, and I didn't hear about it until some time down the road a little bit, I thought to myself: "What bloody gall. Here is a company going under. If anybody is going to be asked to save that company, it sure as hell shouldn't be the people who are at the bottom end of the ladder to put up the money to see whether they were going to keep things rolling." They didn't have any say in whether it was going to close or not. Whether it had been \$2,500, \$2,000 or \$1,000, I don't think it is the responsibility of employees to cast their money into the wind.

My understanding is that the amount of information that was supposedly out and available was sketchy at best. There is that inherent distrust between management and labour, the groups that were involved, foremen--I am sure I am right on this--some foremen and some management people. It takes a long time before people become equal partners.

At first meetings of that kind of co-op committee, there is no doubt in the minds of anybody that the guys who were ruling were going to rule. The employees just said: "To hell with you. If that is the way it is going to be, go ahead and do it yourself."

Mr. Eakins: I just wanted to place it on the record. That \$2,500 was a part of a total of how much?

Mr. Tracey: My understanding is it was part of a total of \$7,000.

Mr. Eakins: The town of Lindsay was going to put up the balance, is that correct?

Mr. Tracey: No. As it was given to me, I understood the employees would put up \$2,500, the town of Lindsay would put up \$1,500, and the provincial Legislature would put up \$4,000.

Mr. Eakins: I see.

Mr. Tracey: There was a total of \$7,000.

Mr. Mackenzie: Can you tell me your feeling about the usefulness to date of the manpower adjustment committees, how many of the 300 workers have actually been placed and whether or not they have been placed at as good, better or lower wages?

Mr. Clark: The remark was made yesterday, I think by Mr. Simpson, that as of this week, there have been some 40 jobs. Thirty-odd of the 50 management people have got employment, but of the 300 bargaining unit people, if you want to call it that, I thought the figure was around 36. I could be wrong on that, but I thought that was the information given by Mr. Simpson last night.

Mr. Herman: I believe Mr. Jordin said 29.

Mr. Clark: I am sorry, it was Mr. Jordin. I knew the figure was relatively small.

Mr. Mackenzie: Do you then see the manpower adjustment committees--and I am not knocking it; we should use every tool that is there in a situation like this--as really being any substantive answer to 300 unemployed hourly rated employees?

Mr. Clark: I want to answer to you and the other gentleman who was sitting here. If there ain't no jobs, there ain't no jobs. You can have all the bloody committees you like; they are not going to find something if there is nothing there. To me, to ship a guy from Lindsay--I do not know how that came about; I will do a little more checking on that--to Windsor to get employment--

Mr. Mackenzie: How many of the 300 workers in the plant are eligible for a pension?

Mr. Herman: Could I say something about the manpower committees before we go on? We have had, quite honestly, work in other places. To secure a situation in Armstrong it has not worked, according to the employees that I talked to. I spent a day or two in Lindsay talking to employees, to get a feeling of what we are doing for this brief, and they were extremely dissatisfied with it.

People I talked to, who were on the committee itself, were extremely dissatisfied. They felt that it took the government people a couple of weeks, at least, even to look for the first

job. An individual, whose name I cannot recall off the top of my head, was the personnel manager at Armstrong. He did a lot of work personally, because he happened to be a human being who was concerned that the manpower committee itself was next to useless as far as the employees in the plant were concerned.

Mr. Mackenzie: I have had that raised--one or two success stories, but a substantive number seem to be in the same boat. So both the figures and your observations are then that the manpower adjustment committee has not been of very much help.

Mr. Herman: In this case the employees are really upset about it.

Mr. Mackenzie: How many people out of the 300 have qualified for pensions or early pensions, and what is the average? Does Mrs. Coombs' \$81 or her husband's \$181 represent anywhere near the average pension they are going to be getting?

Mr. Clark: I do not think we have had time to do that. We could get that for you. But this--

Mr. Herman: Approximately 50 people. I do not have any averages.

Mr. Mackenzie: Approximately 50 out of the 300?

Mr. Herman: Mr. Jordin might be able to correct me on that.

Mr. Jordin: I do have (inaudible).

Mr. Clark: I think we would be better to get that information to you.

Mr. Mackenzie: Just in general terms--and I agree that we wanted specifics--would they be, 50, average? In other words, there are not 50 who qualify for a full pension or anything. They would be 50 who would qualify for some pension.

Mr. Herman: We are talking about early pension in all cases virtually.

Mr. Herman: Which would be a partial pension.

Mr. Mackenzie: A partial pension. Are the two we have heard of likely to be representative, \$81 and \$181, or would they be the highest or lowest?

Mrs. Coombs: The \$181, 24 and a half years' employment and my \$81 was 12 years.

Mr. Herman: It is certainly not a full, substantial pension.

Mr. Mackenzie: What would be the top pension somebody is likely to get with the closing of the plant? Would there be anybody higher than your husband, Mrs. Coombs?

Mrs. Coombs: There are a few, yes. I do not know how many.

Mr. Mackenzie: A few?

Mrs. Coombs: A few, but not too many.

Mr. Mackenzie: Would they be very much higher in terms of what they would get?

Mrs. Coombs: I do not really know.

Mr. Mackenzie: What was the average hourly rate in the plant?

Mr. Tracey: It was \$6.35.

Mr. Clark: As I said, that is one of our better ones.

Mr. Mackenzie: Were there any laid off prior to the announcement of the plant shutdown?

Mr. Tracey: Yes, there were.

Mr. Mackenzie: How many people had been laid off in advance of the notice you got that they were going to be shutting down?

Mr. Tracey: Approximately 55.

Mr. Mackenzie: You had 55 already on layoff?

Mr. Tracey: Yes.

Mr. Mackenzie: Did you people ever have access--I gather it was not granted here--but did you ever have access or did you ever request access to the company books?

Mr. Clark: I do not think so, Bob. With the last round of negotiations, everything was going pretty fair. We got a wage increase; there was no need to look at the books.

I am sure, in this case, after hearing Mr. Jordin give his testimony yesterday, that information would not have been given to us, just from the fact that he is reluctant to give it here. But again, I say to you with all respect, the same as the gentleman who was talking about the \$400,000 depreciation, whether we saw the books or whether we did not, this company had made a decision. They were going.

I respect the right to make that decision but, Jesus, they are leaving behind one hell of a mess.

Mr. Mackenzie: Let me ask you, as an activist in the--

Mr. G. Taylor: Mr. Mackenzie, might we have a supplementary on that, because it got into the books?

Mr. Mackenzie: Sure.

Mr. G. Taylor: Maybe you have the information, I do not know. I noticed in your brief you have Armstrong Cork Proprietary Limited, Australia, as a company. In the Financial Post article on plant closings it says; "Preferential tariffs applied to Canadian carpets entering Australia market have risen to 40 per cent from 20 per cent." Then it talks about American ones.

What is the business of Armstrong Cork in Australia, if you know, and would you know what representations they made to get it from 20 to 40? Is there any relationship, to your knowledge, that would bring this back together?

Mr. Clark: Jim seems to have it.

Mr. Herman: Yes. I have been dealing with this with the federal government. Australia has a unique system of tariffs. In the GATT negotiations it was agreed that where an industry is threatened a country can raise their various forms of protection, be it tariffs or whatever. Australia found that--obviously they are very close to very cheap labour, cheap textile markets, and they found that it was necessary for them to have what would be considered in Canada to be extreme protection measures. We do not have anything near the type of protection that Australia does, not only in carpets--

Mr. G. Taylor: Is Armstrong in the same business there?

Mr. Herman: I have no idea. Armstrong has a number of various interests in furniture, tiles, various carpets and so on.

Mr. G. Taylor: I just wondered whether they lobbied there and pushed the tariffs up as well.

5:20 p.m.

Mr. Herman: It would not have been justice--Armstrong alone, but as to the industry as a whole, I can table a statement from the clothing and textile industry in Australia to this committee if you would like to see what they do. But that is a federal matter really. But if you wish it, I certainly would be willing to give it to you.

Mr. G. Taylor: It just flows out of the total picture of the books that Mr. Mackenzie was raising.

Mr. Mackenzie: Would the 55 people already laid off qualify for any of the benefits with the company that you are now talking about?

Mr. Clark: I do not think so.

Mr. Tracey: No.

Mr. Mackenzie: I have two final questions, Mr. Clark. If the various corporate rationalization that we see going on in this industry results in one or two or three giants controlling the

carpet industry--or I suppose it applies to any other particular industry--what do you see that doing? Do you see that as healthy for your membership or as a danger?

Mr. Clark: I suppose it is a mixture of good and bad. You take the good with the bad. If it ends up that the Hardings and the Peters carpets and the Burlingtons are the giants in the tufted carpet industry, I suspect it is safe to assume they would control the prices and we will pay that later on down the line.

I think, for our members, it would result in a more secure work force, a more secure job situation. But that is not it. We like security but we do not want it at the price of being bled to death.

Mr. Mackenzie: Do you have any difficulty, as a union representative, with the idea of some equity or joint ventures with government in these operations?

Mr. Clark: I would welcome it. I am watching our friends south of the border very carefully with Fraser of the UAW on a board of directors. I cannot see me sitting in a boardroom with Mr. Jordin, but I think that day is coming.

Mr. Mackenzie: So the idea of what I was thinking specifically as government involvement would not scare the hell out of you at all.

Mr. Clark: No.

Mr. Mackenzie: It might even provide some security.

Mr. Clark: Let me tell you the government has been involved in our industry since I came into it and they have been making one hell of a mess of it.

Mr. Mackenzie: They have not had much say in the decisions other than what we negotiate in terms of tariffs, right?

Mr. Clark: No, that is right.

Mr. Mackenzie: Do you, yourself, see any difference? I have a fairly nationalistic position, I guess, but I have never seen any real difference between American capital or Canadian capital in terms of what happens with our industries. Do you really think that just being a Canadian corporation per se, without some kind of government involvement, would be any better than whether it is American, Pakistan, French or German capital?

Mr. Clark: I do not think one iota. I think people are trained in the capitalist system, free enterprise system, on the basis of a profit picture and that is what they live by. Canadian Cottons was a fully-owned Canadian corporation.

Mr. Mackenzie: The nationalist approach alone is no good. What is really necessary is some kind of involvement of the government or the people of this particular jurisdiction.

Mr. Clark: Yes. That is right. I have never, and I say that with honesty, as I said earlier--I do not buy the current wave which is going across this land that the Americans are the bad guys and if it was Canadian it would be good. I think that is bad for this country. I think that is a copout. That is pulling a red herring.

I have dealt with people from Pakistan, I have dealt with people from England, I have dealt with people from the United States, and I have dealt with people from Canada, and my God, if Mr. Jordin had not said yesterday that he was from the United States and because of his accent, he would talk exactly the same as any one of those groups.

So it does not matter to me where they come from. They invest in this country or other countries, and they are quite right, from the way they look at it, they invest to get a return and a profit on their investment and they will do it. If they cannot do it here, they will move elsewhere. I say all right. If that is what the free enterprise system wants, you have it. But damn it, I am going to fight and I am hoping that you gentlemen will fight to see that when they leave they do not leave behind this mess of 300 people.

Mr. Turner: Just to zero in on that for a minute, you referred to the mess left behind. You also said earlier that money being paid out by anybody, whether by government or the company or whoever, is a Band-Aid. What would you see would straighten up this mess or not to leave a mess?

Mr. Clark: The first one is if you guys would recommend to the House--and I guess that is how you do it. I am not familiar with how governments work. I know how my union works. But as I said earlier, as long as a company has had the privilege of operating in our country--and I am saying our country per se, Canada--God dang it, we are Canadians--they have had the privilege of operating here and earning a profit here, as long as there is a profit, they should be forced to stay.

Mr. Turner: All right. I do not know what the situation is here but perhaps they have reached that point that they cannot. Ultimately it is gone; they are bankrupt, whatever. The banks will not give them more money. Their shareholders will not give them more money. You are faced with that ultimate decision and you are faced with this mess, as you say.

The point is there are government programs in place. There is assistance available, but I do not see any move to take advantage of that in this particular instance.

Mr. Mackenzie: I do not think that is a supplementary, Mr. Chairman.

Mr. Turner: All right.

Mr. Chairman: I think it is an observation and an important one and may we can come back to it.

Mr. Mackenzie: I have one final question. It is a two-part one. I guess really it is two but I will put them together just quickly.

One, the perception of the workers in that plant itself: Is there a perception that there is something wrong in terms of what is happening to them, or is it just really they are shocked and stunned about it all? Second, specifically what assistance have you had from the Ministry of Industry and Tourism, the Ministry of Labour, other than the manpower adjustment programs of government ministries?

Mr. Clark: Let me say that the opinion of the people, and that is, I suspect--

Mr. Mackenzie: Contained in the letters?

Mr. Clark: No, I am not looking at that for the answer. I will answer the first part and look for the second part at the same time. The first part, listen. What do people do? We had a rally--when I say we, I mean the labour movement had a rally in Toronto on October 18. You would have thought that the concern of workers would have been so great that we could not have got into the city of Toronto. As it was, we ended up with about 9,000 or 10,000 people.

Because people, whether we like to admit it or not, gentlemen, hope secretly in their heart of hearts it will not happen to them. That is what happens in this land. "Oh, too bad about Armstrong, but gee, it will never happen to me." And the next day it is them. So, tunnel vision. They go along praying to God that the knife is not going to come down on them, scared to death all of the time and not wanting to face it.

When we talked to the Armstrong people before, when this thing was coming down the crunch because the OFL thing was not on when their decision was given out, we had no trouble from Armstrong in loading up a couple of busloads and bringing them in here, but the axe is down for them. Their perception is they have been short changed.

I have known Edie Coombs since I was a snivelling young organizer--I went to Lindsay when Edie was in another plant, and organized that plant. Edie was one of our key people in there. So I have known her for some time, and I have known her family. When you know somebody, that makes the problem even worse because you know them and who they are and you know how they live. You know what good people they are.

She has raised a family. She has had her share of troubles. She talks about her husband having a nervous breakdown. When they have worked all that time and then they come down, it is worse--if you want to say worse. There is no worse.

If you come down the chute and you are saying to yourself, "Within three years"--or two years, or five years, or whatever the case might be--"maybe I can stop and maybe I can rest a bit." Then to be told just short of the goal line you have lost the ball,

that you did not have any control over it, that is the gut-wrenching part people will be thinking about.

I say to you honestly that the letters I wrote to the government, on behalf of these people, to get their fannies into Lindsay and do something--and the mayor wrote and everybody else wrote. The answers that I got, gentlemen, are just unbelievable. You read them.

And I am going to tell you guys something. It would seem to me that if we elect you people and we put you in the positions of trust that we do, then surely to hell in a calamity situation there could be more than a form letter sent out stating what the policy of the government is. I think sometimes we should stir ourselves, and I say "us" collectively, the guys in leadership positions--

Mr. Mackenzie: What you are telling me in total is there was not a hell of a lot of co-operation, whether it was Industry and Tourism, the Ministry of Labour or you name it.

Mr. Clark: That is right. Yes.

Mr. Mackenzie: Thank you, Mr. Chairman.

Mr. Van Horne: A point of privilege.

Mr. Chairman: On a point of privilege, Mr. Van Horne:

Mr. Van Horne: At the beginning of Mr. Mackenzie's remarks, he made reference to seven points that were brought to a certain committee--

5:30 p.m.

Mr. Mackenzie: Yes, the Firestone committee.

Mr. Van Horne: --on resources development, which was asked to review the loans and guarantees of the Ontario development corporations and their annual report. I believe that he questioned the sincerity of our presence here.

Mr. Mackenzie: I said I thought there was hope finally. You all voted against the recommendations.

Mr. Van Horne: I thought I heard you say you were questioning our sincerity. I don't want to get into a position of squabbling with you, but I would point out that of those seven recommendations, many of the people who were voting on those indicated their willingness to support a goodly number of those seven recommendations. At the time, the way in which it was handled in committee precluded its being reported back to the House in that fashion.

A check of the record will show that a significant number of the opposite members did support a significant number of those seven recommendations. I don't want us to proceed as a committee, Mr. Mackenzie, with a feeling that there is a lack of sincerity

towards those recommendations, or for things that are happening now.

Mr. Mackenzie: The record, in bringing those recommendations back to the House, was that it was voted against solidly by your people. That is the only point I am making.

Mr. Van Horne: I am not sure it was necessary to make the point. If you want to make it, fine. I am making the point that you--

Mr. Mackenzie: You can live with it if you wish, Mr. Van Horne.

Mr. Chairman: Order, please.

Mr. Van Horne: Mr. Mackenzie, I object strenuously to your attitude that there is no one else in this room but yourself who has a sincere interest in this whole process of plant closures. If that is your attitude, then you--

Mr. Mackenzie: I am very happy if you have a sincere interest, Mr. Van Horne. I am just asking that we get the votes when we are dealing with workers. We had Firestone people sitting in the audience during those hearings.

Mr. Van Horne: My point is made, Mr. Chairman.

Mr. Chairman: Thank you very much. In the 12 minutes remaining, I will take myself off the list. That leaves three people, Mr. Eakins, Mr. Martel and Mr. Renwick.

Mr. Mancini: We were all looking forward to hearing from you, Mr. Chairman.

Mr. Chairman: I will take it out of you in due course. Mr. Eakins, could you try to give your best shot here?

Mr. Eakins: I will just take one quick moment. I wanted first of all to place on record, since Mr. Mackenzie wondered if anything was done, that as the member representing that area, I had a meeting set up within two days. We called the day the announcement was made to set up a meeting with the ministry. Whatever feelings you have of what happened since then is your recollection, but a meeting was set up immediately, and I believe a meeting was set up with the mayor--

Mr. Mackenzie: I was talking about the overall government action, not the fact that someone may not have moved on a meeting, and that is appreciated.

Mr. Eakins: I want to say that I appreciate, Mrs. Coombs, your placing on record the tragedy it means to families and to a community. I appreciate that you have come down because, as Mr. Clark has stated, I have known the Coombs family for many years, and I know what it means to a community like the town of Lindsay.

It is probably the first major problem we have run into in this regard. It is very difficult to place 300 workers in a community the size of Lindsay with a population of something just under 15,000. I want to assure you that we are going to do everything in our power to assist you. I think it has been helpful to the committee to place on record just what it means to you individually and to the total community.

I also want to place on record the excellent leadership that the representative of the union, Mr. Tim Tracey, has shown through this. He has been very aggressive and he has been very responsible. As the local member, I appreciate it very much, Tim.

There is one question I want to ask of Mr. Clark. We have been discussing how we might prevent some of these problems in the future. I wonder if you could, just briefly, tell us how you feel there about the responsibilities of Ontario versus the Foreign Investment Review Agency.

You mentioned one thing I like, which is thinking as Canadians. Do you see some responsibility that FIRA might have, especially thinking of branch-plant operations, which might not only help Ontario, but say, the total country? What responsibility should FIRA have versus the government of Ontario?

Mr. Clark: Rather than trying to answer that--I am ashamed; I never saw the time go so fast in my life--we will be submitting a brief which I think will give you some of the answers you want, sir. I think it would do much more justice to it than my trying to ad lib. We intend to put a large brief before this committee.

Mr. Eakins: You will cover the FIRA end of it too?

Mr. Clark: Yes.

Mr. Martel: Thank you, Mr. Chairman. Let me say, Mr. Clark, you are much too generous to the company to suit me. I heard Mr. Eakins say how responsible you were and it led to naught, nothing.

I come from a town that just a year ago went through this. The company made \$6 million and walked away, and we are now importing nine million tons of iron ore. In fact there is no responsibility by government to workers. If a company can make \$6 million and then import nine million tons of iron ore in a country that is filthy rich with iron ore, it makes me wonder where the hell they are at.

Mr. Herman: We will be, Mr. Martel, pointing out companies that we are not so favourable to.

Mr. Martel: I am not favourable to any of them because I happen to believe companies have a social responsibility to the community and to the people in that community. Some of us sat on a select committee just two years ago, including the chairman, I believe, where there were 1,500 men laid off in one plant, and in the same year, they made \$100 million. Over the years they have

made billions, and they show no more concern for the workers in that community than somebody only making a three per cent return. It matters naught whether it is a three per cent return or a 10 per cent return, the corporate decision is that they will go away when they feel like it, and they will throw people on the scrap heap whenever they feel like it.

I have a third one in the same area, Falconbridge, which did exactly the same. They didn't care about 700 employees either, and they made millions.

When you deal so generously and so kindly towards corporations it bothers me, Mr. Clark, because they don't hold that same view with respect to society or to the workers by whom they derive most of their profits over the years.

I sat on another select committee, by the way, that studied economic nationalism for four years and produced 21 reports and we have not acted on any of them. One of the recommendations was that the Ontario Development Corporation should purchase a plant like that, if necessary, to keep a community alive and try to get it viable, and then take an opportunity to sell it to someone else when the opportunity came along, in order to guarantee the community.

Were you aware of that select committee report? Our friends in Tourism and Industry of course didn't do a damned thing with respect to utilizing that recommendation of a select committee. It was predominantly Conservative members in those days, seven out of the 11 members. They did not offer to purchase, to take equity, to do any of those things, as I understand it. They have got some commitment.

Mr. Clark: Let me respond to your original remarks.

I, too, Mr. Martel, am not in love with any management people. Where I sit and where I work, I have seen companies put our workers out on the street, close the plant one week after they are out and then blame the strike for closing down. Those are the guys I could shoot without any compunction whatsoever. What I was hoping to tell the committee about was that what Mr. Jordin did is what the law of this land compels him to do.

Mr. Martel: I understand that.

Mr. Clark: I didn't give any impression that they were in love with the people or in love with us or anything else. I think they lived up to the laws of this land. It is the laws that are weak, not the company.

The company responds to any law, whatever that law might be, and Mr. Jordin did what this company was required by law to do, and maybe a bit more. My remarks were not to say to him, "You have got a halo on your head. Go out and say that you are the champion of the industrial workers." But I face the other guys too.

Mr. Martel: But what in fact you are saying is that,

while the company's primary concern is economic, they do not have social responsibilities.

Mr. Clark: I said that. I said they have lost the corporate responsibility that used to be inherent in managers of this land. They haven't got it any more. It seems to me the law has to make them have that corporate responsibility. I thought I said that; maybe I didn't.

Mr. Martel: You did not say it loudly enough.

Mr. Clark: All right.

Mr. Martel: Has there been any type of study by your union to put together the social impact? We tried to get that when we dealt with Inco, to get someone to do a social impact study on what happens to people, not just one or two, but to every laid-off worker and to the community which builds subdivisions to house those workers. In my own community, we put in a new subdivision, added on a high school, built a new arena and then the company walked away.

There is no social impact study being done in your area.

5:40 p.m.

Mr. Clark: I think I said to the panel that in the city of Hamilton, when the Canadian Cottons plant and Hamilton Cottons went down, for about six months or eight months afterwards we did an in-depth survey on what happened to our members. As I reported, there was alcoholism, there were some suicides, there were some divorces. It was tragic what went through that community. That is a few years ago. I am sure it has gone down into the archives. To do an in-depth study you have to have some resources and some money.

I would think that to go into Lindsay six months from now, and tap the minds of 300 people would take a heck of a lot more resources than our organization has. I think that would have to be something that would be sponsored either by the government and this union, or by whatever bodies could do the sponsoring. It is a massive job to hunt down people six months later and find out what has happened to them and where they have gone.

Mr. Martel: In the industry you are in, is there any rationalization? What are the findings that came out of the original select committee on economic and cultural nationalism?

With the branch-plant mentality we have in this province, of course, many of our plants are end-run plants. To get across the tariff barrier, you open up a plant; it doesn't matter that it is going to capture a very small portion of a very small market. When you can't compete, you just shut the door and walk away.

Has there been any rationalization done in this particular industry? You indicate 500,000 or 250,000 jobs, but is there any rationalization that you can see? One of the recommendations of one of those 21 reports was that we are going to have to start to

rationalize. We have too many plants producing fridges and so on.

The interesting part is that none of them ever vie for export. They do not vie for export against the parent company in the United States, if it is an American firm. So rationalization has to come about in this province. It is a dirty word to some people, but it is going to have to come about to get rid of this stupid branch-plant economy we have in this bloody province once and for all.

Has anything been done in this industry?

Mr. Clark: I will do the same as I suggested to the other member. I will send you a brief about that thick, wherein we try to convince our federal government friends to give us an industrial program or an industrial strategy, if you like, that will guarantee where we stand the day we stand, and cut out this business of lopping us off one by one until we are down to some 200,000 workers.

Mr. Mackenzie: You can fight every round. I wonder what the tariff range will be this time.

Mr. Clark: It happens every time. It is the curse of our industry.

Mr. Martel: I will pass in favour of my colleague.

Mr. Chairman: Thank you very much, Mr. Martel.

Mr. Renwick, if I might, just for a minute. We have got a couple of things that I know are pressing.

Mr. Renwick: That is all right.

Mr. Chairman: May I, on behalf of the committee, thank you very, very much for your time. You have been most helpful and we will look forward to seeing you again. I think we got off to a good start with the two representatives from the company presenting, I think fairly and intelligently, the two sides. It is a good start from our point of view.

Mr. Clark: I would just like to say I never saw a clock go that fast. Let me say this, John, we will be back. You guys have got a hell of a task, and I hope that some of this animosity that flows between the parties simmers down a bit. Whether you know it or not, gentlemen, you are talking about the future of the people of this province.

Mr. Chairman: Well said.

Mr. Clark: I am not going to throw my hat into the political arena but, damn it all, there are problems out there. With the positions we have and enjoy, let's put our hats in our pockets and get out there and solve the bloody problems for those people like Mrs. Coombs, who are not going to have a job from here on. Thank you very much, we will be back.

Mr. Chairman: Gentlemen, we have Monday and Tuesday finalized in terms of who we will be hearing from, but it begs the question about the rest of the week and the other tentative witnesses that we have lined up.

I think the schedule of suggested witnesses, which we all have in front of us, really requires some input from, ideally, the whole committee. We have that ahead of us and we have the suggestion that the subcommittee meet tomorrow morning to speak to this and a couple of other things.

How many people could meet for breakfast tomorrow morning?

Mr. Renwick, Mr. Martel, Mr. Mackenzie.

Mr. Ramsay: I have a meeting at 8:30.

Mr. Chairman: Mr. Ramsay is the Conservative representative on the subcommittee.

Mr. Ramsay: Could Mr. Taylor not speak for me tomorrow morning?

Mr. Chairman: If you people between now and six o'clock could work that out, we need a Conservative representative at the subcommittee, otherwise they are not going to resolve anything.

Mr. Turner: I will be there.

Mr. Chairman: Mr. Turner, thank you.

Mr. Van Horne: I do not think Mr. O'Neil will be here and I will be in Ottawa myself. That leaves only Mr. Mancini and I cannot speak for him.

Mr. Chairman: Mr. Mancini or Mr. Eakins maybe. I think then with that agreed the subcommittee can cope with those other couple of things tomorrow morning. But please give consideration to this lineup of witnesses, as we go beyond next Tuesday.

The staff has been working pretty much independently of us because we have not had time, certainly not this week, to deal with that, but if you have any other suggested names or have strong feelings about the list as to whom you would like to hear from, and in what order, let us know, or representatives who will be at that breakfast meeting tomorrow morning; 8:30 in the members' dining room.

Mr. Turner: Mr. Chairman, did we not submit names to the clerk?

Mr. Chairman: That is right. Stage one is in the blender. Now we just have to tighten the schedule up a little bit.

Mr. Renwick: Mr. Chairman, before we leave, I think in fairness to Mr. Jordin, he should know that there is a question of the production of the financial statements to be discussed at the

subcommittee. We will report back as to what we intend to do on that issue.

Mr. Chairman: Please mention it to other of our committee colleagues and we would like to see all of you at breakfast at 8:30.

Can you just hang on one second? There is some additional material to be passed out. We have a vote now upstairs. The meeting is adjourned until Monday afternoon.

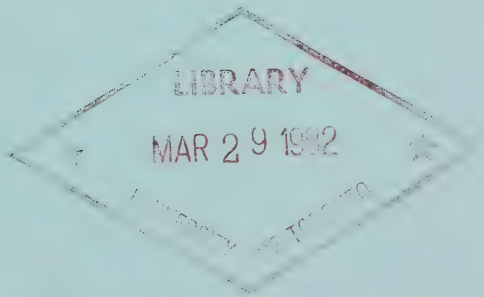
The committee adjourned at 5:48 p.m.

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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

STUDY: LAYOFFS AND UNEMPLOYMENT

MONDAY, NOVEMBER 17, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Substitution:

Martel, E.W. (Sudbury East NDP) for Mr. Cooke

Clerk: White, G.

Researcher: Jennings, R.F.

Witnesses:

From the Social Planning Council of Metropolitan Toronto:

Krawetz, D.

Muszynski, L., Project Director

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

MONDAY, NOVEMBER 17, 1980

The committee met at 3:41 p.m. in room 151.

STUDY: LAYOFFS AND UNEMPLOYMENT

Mr. Chairman: We have a quorum. We have representation from each of the caucuses and can begin. As you know, on the agenda we have a submission which the committee is, I am sure, anxious to hear; a brief prepared by the Metropolitan Toronto Social Planning Council.

With your permission, I wonder if we might quickly dispose of two or three housekeeping matters before the committee. It should only take us a few minutes.

There is the matter of a motion Mr. Renwick wishes to place. If I may, I will come back to that, Jim.

Mr. Renwick: You certainly may. It is out being typed.

Mr. Chairman: If you would look to your agenda please, tomorrow was the case study of the SKF plant in Scarborough. I had a conversation in the last day or two with representatives from SKF who are now involved in negotiations with their union and are anxious to come before the committee, but requested an opportunity to come at a later date. I said I would reflect that.

I know that a conversation between the company and the union has taken place. The union understands the desire of the company to come at another time. The union representatives will still be here, following routine proceedings tomorrow afternoon.

That leaves us with tomorrow night, a planned sitting night and without a witness to come before us. Graham White and I have a couple of suggestions so that we might utilize that time. One was that we look at the bill introduced Friday. I do not think that would require much time, but it is something the committee may wish to do. There would be one or two other possible witnesses who we could call, even on a short notice.

Mr. Mackenzie: I doubt that bill would take us more than 15 or 20 minutes.

Mr. Chairman: Does anyone have any suggestions on how we could continue on?

Mr. Renwick: I think that before we decide about tomorrow night, what are we going to do? I have a funny sense we are going to have to go formal in the committee and start to issue subpoenas to people to attend, because unless the company, SKF, has given a specific date and time when they are prepared to attend, then it simply disrupts the work of the committee

completely according to the plan we have worked out.

I guess we are going to have to face up to that problem. The companies will express their intentions to attend and be co-operative with the committee, then they will phone their lawyers and their lawyers will find out some reason as to why they should not attend at that particular time; and we will be in that position. So we have a general question.

I would like to ask: When this information came to the notice of the clerk, what was the reason given for it and in what specific terms? When did they say they would deign to appear before the committee and grace us with their presence?

Mr. Chairman: Late Friday afternoon Graham was contacted. Graham and I spoke about it over the weekend. I did not, nor do I think did Graham, get an alternative date. I know I did not ask for it. I said that I would relay that to the rest of the committee.

Mr. Cureatz: Are you just discussing this in general terms now?

Mr. Chairman: Yes.

Mr. Cureatz: Quite frankly, this is a very important issue. Generally speaking, I would like to think most people would be co-operative. But, indeed, it is an area that is of concern to all of us, notwithstanding the parties. I am willing to go along with Mr. Renwick's suggestion in terms of ensuring the committee work is done. We are supposed to do a heck of a lot between now and when the House finishes. I see the January and February agenda is crammed full of activity.

It would put the committee to discredit if we do not have the kind of investigation necessary to take a look at what is taking place in plant closures. I hate to get rough. I know, in company law, Mr. Renwick, generally speaking we had great co-operation. There was never any problem having witnesses come before the committee. But if it appears that this is a rather sensitive issue with some companies, that they do not feel obligated to appear before us, I am willing to go along with that route at the moment.

It may not be necessary to do so with all of them. But if the word gets out, "Look, if you are not appearing, it is important to the House that you do appear and we are going to have to take the necessary legal procedures to do so."

Mr. Ramsay: I cannot disagree with what my colleague has said. I was wondering if it might be appropriate for you to get back to these people and indicate the problems we are experiencing and anticipate experiencing and see if they would change their position.

Mr. Chairman: I shall do that.

Mr. Ramsay: Issuing a subpoena does not appeal to me

when good reason will suffice. I am hoping that perhaps you could convince these people they should be here.

Mr. Chairman: I think I have the tone of it unless there is further discussion on this. I will endeavour, before we adjourn today, to get a specific date if I can and come back to it if it seems appropriate.

Shall we leave the matter of tomorrow evening? Is it something the committee feels we could cope with if we addressed it tomorrow afternoon? Or would you like the clerk and me to endeavour to formalize something for tomorrow night?

Mr. Renwick: If the union presentation is completed by six o'clock, I would suggest, whenever it is completed, we should proceed with that bill. Even though, as my colleague says, it may not take any time, I think we should look at that Employment Standards Act amendment, see what its implications are and deal with that, so that we approach the debate in the House or any reference out of the committee feeling that we have looked at it and get that off our plate.

Mr. Chairman: In the event we are at that stage at eight o'clock tomorrow night--and we will not know until tomorrow--would there be someone from the Ministry of Labour the committee would like to have available tomorrow night while we are looking at the bill?

Mr. Renwick: I would think that would be very important.

Mr. Mackenzie: I would think they should have somebody here to tell us exactly what it means, although I think it is pretty clear.

Mr. Chairman: Fine. We will make sure that is done.

I have no other housekeeping items. I believe Mr. Renwick now has a motion and with the committee's agreement, we will proceed with that and then hear from the representatives from the social planning council.

Mr. Renwick: I have some copies of the amendment which the clerk could distribute.

Mr. Chairman: Mr. Renwick moves that Mr. Speaker be requested to issue his warrant directed to Armstrong Cork Industries Limited, for the attention of John Jordin, Esquire, PO Box 30, Lindsay, Ontario, and Messrs. Peat Marwick Mitchell and Company, for the attention of James Brown, Esquire, Commerce Court Postal Station, PO Box 31, Toronto, Ontario, M5L 1B2, to make available immediately to this committee the financial statements of Armstrong Cork Industries Limited for each of the fiscal years 1975 to 1979 inclusive and, if available, for 1980, required by the Canada Business Corporations Act to be laid before the annual meetings of shareholders, and the auditors' reports thereon and all supporting schedules and all auditors' working papers in connection therewith.

We have the motion. Any discussion?

Mr. Ramsay: Question.

Mr. Chairman: All those in favour of the motion--

Mr. Ramsay: Wait a minute. I said, "question."

Mr. Chairman: So you have a question.

Mr. Cureatz: Do you want to put the question or do you want to speak to it?

Mr. Ramsay: I want to speak.

Mr. Chairman: It is one of the peculiarities of this place. When you said "question," I was all ready to jump. Three and a half years ago I did not know; I thought it meant a question too. I have been here too long already.

Mr. Cureatz: The NDP might agree with you.

Mr. Ramsay: I think I know the answer to this question, but I would like to make sure of it in my own mind.

I was here when Mr. Jordin appeared. I am trying to recall exactly the question that was put to him by Mr. Renwick and the answer that was given by Mr. Jordin. Perhaps Mr. Renwick can clarify this for me.

Did Mr. Jordin say that he would not make his financial statements available unless he was issued with a warrant? Was his response to Mr. Renwick's question in that vein?

3:50 p.m.

Mr. Mancini: I would like to speak to that. After Mr. Renwick had finished questioning and before the afternoon hearings were over, I specifically asked Mr. Jordin if he would reconsider his position so we would not have to use the Speaker's warrant. He said he would stand by his company policy which was that they would not make available this information.

Mr. Ramsay: That answers my question.

Mr. Renwick: He said it was a matter of the policy of their company, speaking about their worldwide organization, being not to make that information available. I just assumed that if the Speaker's warrant is issued that the information will be forthcoming, although, undoubtedly, the lawyers for the company will find some method of trying to delay the proceedings of the committee.

Mr. Cureatz: I am of two opinions regarding this motion. The first is not to give it my support because I do not want corporations, companies or individuals in this province to think that the first thing any legislative committee does is start investigating personal or corporate financial statements. That

would be a bad precedent or feeling to radiate to the province.

On the other hand, as a learning member of this committee, I am concerned--as are all of us--about the kind of information Mr. Jordin had indicated to us last week as a witness. I was trying to decide where that fine line was in terms of the monetary investment that was made by the company and the return they were getting; and yet that return, in their minds, was not sufficient to have the continuation of the plant in operation.

Unfortunately, that was the first company to appear before us. I feel, as a learning member of the committee, that is the kind of nuts and bolts information I am going to require to grasp those kinds of corporate decisions that are being made and whether there should be interference by government, by legislation to second-guess those corporate decisions.

If it were any other company in terms of alphabetical order I would be stating the same thing. At this time it happens to be Armstrong Cork Industries Limited.

I do not anticipate having to examine each and every corporation or individual who comes before us, but as an example of an industry that has closed down, that kind of information would certainly be useful, not only to myself but to the committee as a whole. In this instance, to begin with, I would be willing to support the motion.

Mr. Mancini: I want to have placed on the record that I will be supporting the motion concerning the Speaker's warrant. It is very important for us to see this material. It is virtually impossible for a person, such as Mr. Jordin, no matter how capable he is, to answer all the financial questions in detail, especially over a significant time period. It is impossible for anyone to recall that information. It is necessary for us to look at the information.

Specifically I refer to some of the charges placed on the Armstrong Cork Lindsay operation by the Montreal operation, to see if we can possibly come to any conclusion as to whether those costs were in any way part of the reason for the demise of this company and if it was a way of remitting profits without actually showing that profits were made.

There are many other such questions I think the committee should look at and needs to look at before it comes to any really conclusive decisions. Other than that I have nothing more to say. I am sure the committee would rather have had Mr. Jordin hand over the information, but in view of his corporation's policy, I believe that the committee has no alternative but to take this step.

Mr. Mackenzie: Mr. Chairman, I am not sure what any given set of books that we find ourselves requiring or financial statements we request are going to tell us, but I do know if part of our problem is both justification and accountability, then this committee certainly has to be prepared to go after that information, not only in this case but in any others where we may

deem it necessary. I would support the motion.

Mr. Renwick: Just a couple of brief comments. I would not want my colleagues to misunderstand a couple of the problems that may arise in connection with this.

Armstrong Cork Industries Limited is a federally incorporated company, incorporated under the Canada Business Corporations Act as I understand it. Its head office is in Montreal, but it carries on business in Ontario and the carpet business which we were discussing carried on at Lindsay, Ontario, is I guess, for want of a better term, a division of Armstrong Cork Industries Limited, rather than being a separate Ontario incorporated company.

The auditors of the company are Peat Marwick Mitchell and Company. They are a well-known partnership and Mr. James Brown happens to be the senior partner in Toronto, so that is the reason the motion I moved is addressed to the Armstrong Cork company in Ontario for the attention of John Jordin, and that is why it is addressed as well to the auditors of the company for the attention of their senior partner, as I understand it, in the province. It will be interesting to see the response, if Mr. Speaker accedes to our request that his warrant do issue.

I think for the reasons that have been given by a number of my colleagues, it is essential for us to be getting the kind of information we are asking for here and I would point out to my colleagues that in trying to avoid the impression of being on a fishing expedition, I tried to limit the information we are going to get to the kinds of information which would be available at an annual meeting of shareholders.

Of course, to make that meaningful I have also asked that we get any supporting schedules. The notes to the balance sheets and so on will be part of the balance sheet, but also all the auditors' working papers in connection therewith, which is kind of a term of art within the accounting profession, are the property of the auditing firm.

Mr. Chairman: Any further questions or comments? Just if I may; I am not surprised by the motion and I think I have a sense of the committee's intentions on it. I am mildly concerned and I hope that each of us, as members of the committee, can carry to witnesses or possible witnesses before the committee that we have already talked about using the subpoena power we have and Speaker's warrants, even to get witnesses before the committee.

It is just a hope that I would think is shared by other members of the committee that we can proceed ahead in the number of weeks we face without having to do that any more than is necessary.

Motion agreed to.

Mr. Cureatz: Just for clarification, on a practical basis. What happens if the solicitors for the company do harangue for a while? Would the committee hire solicitors?

Mr. Renwick: That is one of those hypothetical questions.

Mr. Cureatz: We will wait until it happens, in other words.

Mr. Chairman: The question of the committee having legal counsel was one of the first questions that was put to the committee.

Mr. Cureatz: I know that. I was just wondering what happens. I mean obviously we are going to need counsel if we wind up fighting it back and forth.

Mr. Chairman: The chairman made it clear that the chairman for one would like legal counsel. The subcommittee decided it would be a question that we would come back to. I do not know that this is the time to pursue it.

Mr. Mancini: It was put before the committee.

Mr. Chairman: That is exactly right.

Mr. Mancini: If I recall there was not much support from anyone for that motion.

4 p.m.

Mr. Chairman: But there was a subsequent meeting, I think, Remo, where there was a feeling that we would at least come back to it. I consider it to be increasingly important.

Mr. Mancini: Let's deal with it then.

Mr. Chairman: I think we should deal with it, but I do not think we should right now with witnesses prepared to make a submission. I urge the committee to come back to that question, either at the full committee level or the next time there is a meeting of the subcommittee, for full discussion here.

Mr. Mancini: Can we have all three parties at the next subcommittee?

Mr. Chairman: Any further business?

May I ask the representatives from the Social Planning Council of Metropolitan Toronto to come to the microphone? Leon, I know you have been here before. Perhaps you would be kind enough to identify yourself and Ms. Krawetz for the record. You have briefs, I think, available for the committee.

Mr. Muszynski: We don't have written briefs. We were notified of this only last week.

Mr. Chairman: Fine. I assume you wish to make an opening statement?

Mr. Muszynski: Yes, if I could. My name is Leon Muszynski and I am with the Social Planning Council of

Metropolitan Toronto. I would like to start off by saying thank you for the invitation, but for the record to say that we are here today, not as official representatives of the Social Planning Council of Metropolitan Toronto. We have been asked here, we understand, as technical experts and authors of a report that was issued last summer on behalf of the social planning council. So we will not be speaking necessarily from the perspective of the board.

We also understand that the committee may, at a later date, be requesting public briefs. I could say at this point that the social planning council's board would be very interested in making a public presentation at that time.

May I start off by asking if there any preference for length of a presentation? We had intended to speak for about somewhat a little over half an hour, both of us.

Mr. Chairman: I think the best answer would be that the committee, I am sure, has questions and I think that 30 minutes or so by way of an opening statement or formal presentation would be useful, because that does give ample time for members of this committee to ask questions.

Mr. G. Taylor: Has your document that has been prepared, and we have had copies or portions of it before us, been adopted as the official stance of your parent operation?

Mr. Muszynski: As you might note at the beginning of the document, it is mentioned that that is not a policy document of the social planning council. It is, rather, a discussion paper that is issued from time to time from the social planning council. I know the distinction is often hard to make. Certainly the public does not often pick up this kind of fine distinction.

Mr. G. Taylor: I just wondered. That is the reason for the question. I want to know how you can speak, whether you are speaking for the council or not. It is difficult when people come before us and their hats are going on and off, as many are wont to do. The end product gets garbled a little bit and it is difficult to know when you are speaking for the social planning council and when you are speaking your own opinion, although it is a document, according to our material, produced and prepared for the social planning council.

Mr. Muszynski: I might mention that we did not make any hard recommendations in the document, although we alluded to certain directions that would be advisable to deal with the layoff problems. In that sense it does represent an understanding that social planning council has with the problem right now. But, specific positions do not necessarily represent official policy of the board at this point.

Mr. G. Taylor: All we can then take from your information is that you have submitted your discussion paper to the board and that is where it is at present.

Mr. Muszynski: No. The discussion paper is issued by the

board and approved by the board as a discussion paper and published and is available publicly.

Mr. G. Taylor: Thank you.

Mr. Muszynski: I would like to start off by saying that there has been considerable controversy over how to evaluate the number of layoffs, how to measure the number of layoffs. We have been faced with that problem; it was one of our initial problems when we undertook the study.

I just wanted to say, for purposes of clarification, that despite the numbers that have been bandied about, I must say, by ourselves included, there is really no reliable estimate of the number of layoffs that are occurring in Ontario or for that matter in Canada today.

Statistics Canada gives a monthly figure from their labour force survey of job losers. That is one of the best figures that we have to measure the number of people who have lost their jobs, although the problem with it is that it includes in that count a number of people who are not necessarily laid off but also people who have been fired. From our estimates, however, that is a very small proportion.

It is also not an adequate flow figure. It is a measure of the number of people who have been laid off on an average basis throughout a month, based on a point in time estimate. What it does not give us is the number of people who move in and out of layoffs on a flowing basis throughout the year, or even within a month. Nevertheless, this figure does give us an estimate of about 50 per cent of all the unemployed in Ontario right now as being unemployed because they have lost their job.

For reasons that I will further elaborate later in the presentation, the estimates that the Ministry of Labour also makes on the number of layoffs in Ontario are inadequate. The Ministry of Labour figures are a composite set of figures. They come from, in part, the advance notification requirements under the Labour Standards Act, as well as estimates based on them collecting information from the Canada Employment and Immigration Commission, from newspaper reports, word of mouth reports, and so on for layoffs of 25 or more employees. They are, as you can imagine, wholly inadequate. I think most people in the ministry would agree with that.

The record of layoffs is seriously deficient. I think that is one thing that perhaps the committee could look at. We need to have a better data base; a better understanding of what is happening with layoffs in Ontario.

I would like to also say we believe it is important to focus not only on plant closings. Plants closing are important obviously; there is a big problem when people are thrown out of their jobs permanently. But, there is also a very large problem with temporary layoffs and indefinite layoffs. We would hope you would address those problems as well.

The minister, I noted in Hansard, mentioned that in fact many of the permanent layoffs are the result not only of permanent or whole plant closures but partial closures within plants.

Mr. Mackenzie: Would you approximate for a minute, the attrition in that area, because my feeling is that a hell of a lot of the unemployment and cut in the work force is not necessarily a bare-faced layoff but the effective use of attrition.

Mr. Muszynski: Yes, I think that would have to be classified in any real understanding of layoffs, although in a strict sense what we have to consider is people who actually are terminated or dislocated from their jobs.

I might refer you to our report in section one where we attempted to discuss the problems with definitions of layoff. We did note that there were three different kinds of worker dislocation: Straight layoffs, where people would be called back, or temporarily lowered production, where the employer would lay off people for a period of time; a shutdown, where the operations would cease, but it would be intended to start up again and employees would be called back; and a permanent closure, where there would be no possibility of recall.

In the case of straight layoffs and shutdowns, it is important whether there is a definite or a possible recall. Also whether there is a definite or possible date of re-employment. Those are variables that one has to consider in assessing the hardship or the difficulty that workers might experience in layoffs. In the case of closures it is important to know whether of course there is a chance of relocation.

In any effort to classify layoffs, one has to be quite precise in understanding what is happening. The different kinds of layoffs will obviously have different kinds of effects on workers.

I might also mention that not all layoffs are to be scorned at. To a very real extent they are an important part of a dynamic change in economy. What is important is whether they are necessary or not to this process and how they affect the individuals concerned as well as a community.

We have decided not to present to you the large body of research on social effects of unemployment as we think that is well documented and you probably know the literature and the effects quite well. We could refer you to section C in our report for you to review that.

4:10 p.m.

I might mention also that, as social planners concerned with the unemployment problem and how to reduce employment, we recognized it as a real social problem. The problem was the nature of the economy and the fact that we do not have full employment, or in fact an adequate strategy to reach full employment. What we recognized was that employment policies traditionally relied on attempts to develop new jobs, new job creation and growth in employment. That has been the main strategy to deal with unemployment.

There are several problems with this strategy. One of them is that new job creation is slowing down and I refer you to tables I and II that I have handed out to Mr. White at the beginning. I do not know if you have them.

Mr. Renwick: Yes, we have them.

Mr. Muszynski: Table I lists the year over year changes between 1979 and 1980, on a monthly basis year over year in Ontario. If you look at table I, you will see that the percentage annual growth rate in 1979 was up around two, three and in some cases four per cent over the year previous. If you look at table II you will see that by 1980, right up until October, the growth rate on a year over year basis has slowed down considerably, so that the percentage growth rate is down around one per cent, 1.5 per cent; almost half of what it was a year earlier.

We think this is important because traditionally we have relied on new job creation to deal with unemployment. There are many problems in the economy, in the structure of the economy, as you probably all well know. We believe now that these problems are creating serious difficulties for dealing with unemployment and that we have to look at other forms of dealing with unemployment.

One of the ways that we thought would be really important was to look at how, in fact, we are also losing jobs. There is a dynamic process of creation of new jobs and jobs being lost. The new job creation does not seem to be coming on stream as well as it used to. We believe that there is a really important case to be made for retaining the old jobs that we do have.

Another reason would be because it is not entirely clear that when we lose jobs, when people are thrown out of jobs, they necessarily get the new jobs that are then created. I might refer you to tables III and IV which just reveal the employment changes by industry between 1979 and 1980, based on October data. It shows that a real decline in employment was experienced in manufacturing, construction and trade, which showed negative growth figures, whereas there were positive growth figures in areas such as public administration, finance and transportation, communications and other utilities.

Although these data are not detailed enough to give us an idea of what kinds of new jobs are created specifically, we do have the impression that a lot of the new jobs that are being developed are of a lesser quality than the jobs that were available in the manufacturing sector; in other words, are not as high wage jobs and are not as stable as those jobs that were traditionally in the manufacturing sector.

I would like now to turn this part of the discussion over to Donna Krawetz and then I will come back and speak specifically about programs with respect to layoffs.

Ms. Krawetz: As Leon has outlined, the social effects of layoffs are fairly well known and we do not really have to go into a lot of discussion in that area. I think one area that is going

to require a lot more attention is the reason these layoffs are happening.

If we want to make job retention a policy focus and if this committee wants to be in a position where it can make recommendations about what ought to be done about the problem, there has to be a good understanding of why these layoffs are happening. Are they just temporary phenomena that are related to a downturn in the economy? How does the fact that we have so many branch plants in Ontario relate to layoffs? Do these layoffs mean that there are some very fundamental weaknesses in Ontario's industrial structure?

I cannot give you answers to those questions. I am afraid that no one is going to be able to provide you with a comprehensive analysis of why layoffs are happening and I am afraid that in the time this committee has it is not going to be able to get a really good feel for what is going on.

When we first started to work in this area we were quite surprised that there is so little information available, that such a small amount of research has been done into why these layoffs occur. I think that is not a reflection that the government has been incompetent or does not care about workers, does not care about unemployment. I think what the lack of research in this area indicates is that there are some widely held attitudes about layoffs, attitudes that we think ought to change.

One of those attitudes is that layoffs are somehow necessary, they are a necessary part of our economy, that layoffs are in fact a good sign, indicating to us that businesses are keeping up with changes in the economy. If we somehow try to restrict the freedom of employers to lay off workers, then there is a fear that the economy is going to stagnate, that we are going to be protecting inefficient and unprofitable operations.

For example, when I looked at the layoff reports at the Ministry of Labour, I saw a lot of reasons that employers gave for laying off workers. If they were talking about a temporary layoff, they would say: "We thought a contract was going to come through but it did not." "All of a sudden our sales went down." "All of a sudden demands for our product dropped." Or they would simply say that they were making the regular seasonal layoff, they do it all the time, so what was there to get excited about? Why do we have to go in and study these layoffs, they are just a result of economic conditions that we have always had?

The same thing goes for plant closures. I saw reasons in the Ministry of Labour's files such as: "Demand has disappeared." "Facilities are obsolete and would require large capital expenditures to be upgraded." "Costs of production have just become too high; business is not profitable any more."

I would say certainly there are many cases where these strictly economic conditions are affecting the profitability of a business and employers find it impossible to go on, but I think what is happening now is that people like ourselves are saying we should be a little bit more sceptical about just accepting these

economic reasons. There is a view that employers were somehow caught by larger economic trends, that they have no control over layoffs, they are inevitable.

We have looked at some research of what has been done in other places and it suggests to us that the economic factors, the economic trends are important but, as well, there are organizational factors that determine layoffs, or simply the way that businesses operate.

For example, I would like to refer to some research that was done by a professor at the University of Ottawa, Fred Kaloren. His research is a bit out of date now since it was done in the early 1970s, but he is one of the few people who have done a large survey of layoffs in the province.

He found that a large number of these temporary layoffs were what employers called the regular seasonal layoff. When he looked at some of those cases he came to the conclusion that the regular seasonal layoff was not related to some kind of natural phenomenon, was not related to any kind of economic cycle, it was more explained by management as being a customary practice. It was the way that they had always done things and the way that they would continue to do things.

So his conclusion was that these layoffs are not so much explained by what is happening in the marketplace, but by the way that employers in Ontario manage their work forces. That is not surprising, considering that there is no disincentive for employers not to lay off workers.

If we look at plant closings, some American research has found that large corporations are organizing their operations in such a way that they lead to plant closures and we find cases where profitable operations are being closed down. One of the practices is to set target profit rates for branch companies and if companies do not meet those rates then they are phased out or closed down. In some of the research I have seen, these target rates can range as high as 25 per cent return on investment.

Parent companies with a lot of diversified interests seem to be particularly prone to this type of practice because they like to be able to pull their capital out of one sector very quickly and put it in other sectors where they can realize more money.

Mr. O'Neil: Why would they do that? That is not good business, is it? Why would a company set out to set up an operation where they are going to demand so much that they are going to have to close? I do not understand your reasoning.

4:20 p.m.

Ms. Krawetz: I think it is not a process of saying we are going to set up this business and we are going to get this rate of return from it and that will be fine. It is a case where you have a company that has several different interests and if you look at one sector and say, "We are making 12 per cent here, but if we pulled our money out of there we could put it somewhere else

and we could be making 16 per cent." I think it is economically rational for them to do that. Although they may be losing something in closing down an operation in one location, by reinvesting that money somewhere else they are going to make up that loss and more.

Mr. O'Neil: But surely when they have set out initially to set up that plant, what they are going to try to do, they have got to realize, or they should realize, by what you are telling us, that if they do not realize those types of profits they are going to close it before long. I cannot see any company doing that, that has any type of planning at all.

Ms. Krawetz: I think that they would probably be companies that had been in operation for some time. I do not think in the cases that I have seen that they were new businesses that were set up one year and closed down the next year.

I think this Armstrong case is another example of that. I read in Hansard that some representative from the company had said, "We might as well just close down this plant and buy Canada savings bonds" as the return was only 12 per cent.

I do not know what that case is. I hope that this committee is going to be able to find out exactly what is going on there and where they are going to be reinvesting their money, but I think that this is the type of case where a company looks at an operation and says, "Yes, it is profitable, but we could make more money somewhere else."

I think that the increases we have seen in interest rates over the past year have probably contributed to that factor, because, yes, there are cases where a business is profitable and it is bringing in some level of return, but you could put your money somewhere else and make a lot more.

Mr. O'Neil: But what I am differing with is your comment that they are going to set their level so high to start with that they are not going to succeed. I do not think that is maybe what you meant there.

Ms. Krawetz: Not exactly, no. I think that businesses periodically would review their whole operation. Say if someone new was placed in charge of the company's holdings, they would probably review them.

One of the cases I have been thinking of was, I believe, K-Mart department stores in the United States, which found that their type of department stores had pretty much saturated certain areas, so it was just a matter of saying: "We will keep these companies going and we will accept a certain level of profit from them, but it is time now for us to start to diversify. We are not going to make any more money out of department stores, so let us put our money into something else, petrochemicals, whatever."

Mr. Mackenzie: In the course of rationalization, which is one of the words we hear so much from the corporate world today, would that not be a perfect way of setting up a plant

closure, by just setting a target that they know they cannot meet? I am the sceptical kind. Brother O'Neil might not be that sceptical.

Ms. Krawetz: I think that if I go on maybe I would sort of get at the cases that you are talking about, and that is another practice of certain companies to designate certain of their plants as cash cows. These are subsidiaries that the parent company expects to generate excess capital. The money is not, however, reinvested back into that local plant, it is taken and used to expand or establish other operations elsewhere.

What happens is that the company literally runs a branch plant into the ground by not reinvesting any money, so that it gets to a point where, if sales are good, there are not any problems because that company keeps on generating profits. Those profits keep on going back to the parent company. But when it happens that sales are bad and there is a downturn, then the company, because it had expected that that company would be phased out anyway, does not turn around and give it any help.

The branch plant, if it is in trouble, may have to go on to the local market to try to raise capital rather than getting it from the parent company.

These are findings from American research and I am pointing them out because we would like to get across the idea that we should not be looking at layoffs as some kind of an inevitable part of our economy, something that always has to happen, that there are organizational factors that are contributing to these layoffs.

As I said, some of this is American research but I cannot really think of any reasons why what is happening in America is not happening here. Because there have been so few studies of layoffs in Ontario, because the government has never really investigated these cases very carefully, I cannot give you a long list of cases, but I would like to refer to one case which involved an American parent company that wanted to relocate some of its operations out of Hamilton. This happened last year. The idea was to relocate these operations out of Hamilton into several rural centres in Ontario.

The case was investigated very carefully by the Ontario Labour Relations Board after the union charged that the company was in fact moving to avoid the union. In the course of the investigation it was found that the Hamilton operation had been designated as a cash cow. That term was used by the person in charge of the operations there.

The parent company expected these operations to exist for five to 10 years, during which time the company would maximize profits and would not invest in any of the operations.

In this case, the Ontario Labour Relations Board could not do anything about the company's investment plans, although it was of course good that they could find out that this was going on. It was ruled that the company was decentralizing to escape the union.

I find it interesting in this case that the unions complaints were originally dismissed about a year earlier by a minister of the Ontario government who was quoted in the Toronto Star as saying that he could not criticize the company for considering other locations for its gear operations that would be more efficient and profitable.

I have quoted that because I think that it illustrates the point we are trying to make, that we just assume that if a company moves, and it is more profitable and it is more efficient for the company, then it must be good for the public. We do not think that is necessarily always the case.

I think everyone would agree that we do not like to see companies closing profitable plants. We would rather they stay in business. We do not like to see companies running branch plants into the ground. I think what seems to be an issue here is that the company has the right to do that and somehow we cannot interfere with that right. Second, if we did try and do anything about it, then we are going to have a problem attracting any new investment into the province.

I think those are both very real concerns. The question of what the company's rights are is something that would have to be addressed. What we see our role as doing is trying to put more emphasis on the fact that workers should also be recognized as having certain rights and that an employer making a layoff should recognize the rights of workers and, as well, the public at large should recognize that workers have rights.

Our idea that there are some rights attached to holding a job stems from the fact that, for most people today, their job is their major source of income and it is the one area of their lives where they make the greatest personal investment in terms of the time and energy they spend and the skills they apply in that job.

When these workers are the ones who are going to be losing their investment and may be critically affected by a layoff, under our present legislation they are not entitled to anything. They are not entitled to any special assistance. They certainly are not entitled to any share of the wealth that their labour helped to generate. They are not even entitled to an explanation of why that layoff is happening.

In some ways, that seems incredible. It seems quite unfair to workers that they should be the ones that are always left with nothing when a plant closes.

I think the unfairness of how laid-off workers are treated could be illustrated by looking at some analogies, some other areas of law where the victim is compensated.

For example, if we look at cases where people receive criminal injuries, there is a board they can go to and they can apply to get some sort of compensation. But if you look at the laid-off worker, that is a person who has done nothing to deserve what has happened to him. Being a laid-off worker means you have lost your job through no fault of your own. Yet, society will not

take any responsibility for those workers. It takes responsibility for the criminal elements in our society, but not for laid-off workers.

Another thing we could look at is land use planning and environmental legislation. If I go home tonight and find out that someone wants to have the land next to me rezoned for commercial property there are avenues where I can protest. I can say that is going to effect me negatively and I do not want that to happen. There is pressure I can bring to bear. But if I lose my job tomorrow, there is nothing I can do about it. There is no public way that I can have a hearing. There is no right for me to speak, no right for me to be heard.

I think what becomes evident if you look at other areas of legislation is that the laws we have about layoffs and the laws that relate to employment in general have in some respects not kept pace with changing attitudes. If we look at other areas of law, as society's attitudes change, the laws change. But that has not been the case with our labour legislation.

4:30 p.m.

I think the fear that Ontario would suffer terribly if layoff legislation was introduced is something that cannot be ignored. On the other hand, I sometimes find it difficult to understand what private employers, what companies are saying to us.

On the one hand they seem to be saying that they think that less government intervention in their affairs is better. On the other hand, in the past year there have been a lot of requests from businesses about what they want from government. They want manpower training programs; they want the government to come up with an industrial strategy; they want money for research and development; they want favourable tax rates; they want a favourable exchange rate on the dollar; they want, in the case of Massey-Ferguson and Chrysler, direct financial assistance.

I do not think we should think that companies are always dreading anything that the government does in the way of meddling in their affairs. I think the economy has reached a situation now where the way things are organized, and considering the past role that government has played, we are going to see the government becoming more and more involved in the private affairs of companies. The fact there is now some pressure being exerted for layoff legislation is only one aspect of that.

It is going to be important for any kind of legislation that is going to be addressed to the layoff issue that the employers' point of view has to be taken into account. I certainly think there are cases when employers making layoffs are in serious financial difficulties and that whatever legislation is being considered will have to take this into account.

The problem stems from the fact that you cannot treat all layoff situations the same. There are very different situations. You could have a case where a company has got a fairly good

financial position and is laying off workers and other cases where they really are in trouble.

We have tended to favour legislation that would require labour and management to enter into some type of consultative process, where both sides get to express their concerns and then decide what can be done about the problem. We see a role for government co-ordinators, as the Minister of Labour (Mr. Elgie) has suggested, to facilitate some sort of process of consultation.

This process of joint consultation and having government co-ordinators or facilitators are elements of recommendations that have been made by other people. We would like to stress we would probably like to see government co-ordinators as well as workers have legal access to all information that has led up to that layoff; all the information that the company has used to come to its decision. I do not think anyone can evaluate what the company ought to do, unless you have that kind of information.

We also think that once the situation has been looked into, then a government co-ordinator ought not to just be able to make suggestions to the company, but should have the power to require companies to do certain things, based on an analysis of what the situation of that company is.

We are basically agreeing with the idea of consultation and the idea of having government co-ordinators. But we do not think this process is going to be very effective unless power between labour and management is a little bit more equal and unless there is a range of standards and programs that are already in place--standards and programs that the government facilitator or co-ordinator could draw upon. Leon will now go into more details about those standards and programs.

Mr. Muszynski: In our report we commented on a range of different options for both protection of workers and job retention. I want to select a few, because I think a few of them have received especially some public debate and also I think that some of them have been dealt with rather simplistically, certainly in the press.

On the question of advance notice: Advance notice is the piece of legislation in Ontario and in most jurisdictions that relates to layoffs. It is a very important piece of legislation under the Employment Standards Act.

Generally, unions want more advance notice; workers want more advance notice. They want it because they, quite rightly, see it as an important period of time that would allow them to search for another job. The research seems to bear that out, that it is a very effective mechanism that would allow them to achieve a new job and an adequate adjustment period.

Employers generally contend that the shortest advance notice is the best for them, that advance notice is very costly. It results in declining productivity as a result of lowered morale and high turnover and absenteeism in that they cannot always foresee their labour force requirements into the future and so it

is very difficult for them to keep on workers when they do not need them.

On the first point, in our review of the research, it does not seem to bear out the fears of employers. In the research around advance notice there does not seem to be the kind of effects that employers contend there are, that there is lower morale and lowered productivity because of turnover and absenteeism. We do not see that as a really critical issue.

On the other issue, I would like to talk about it a little bit more later on, but they cannot always foresee their labour force requirements. One thing we would identify is the way in which firms are managed and whether they are adequately managed with respect to their labour force. I would like to come back to that.

It might help if I review the provisions of advance notice under the Employment Standards Act. They distinguish between individual and mass terminations. Individual terminations require that one week's notice be given for an employee who is terminated who has under two years of service; two weeks' notice be given for an employee who has between two and five years' service; four weeks for an employee who has between five and 10 years' service and eight weeks for an employee who has over 10 years' service.

On the question of mass terminations: Eight weeks is required if there will be a termination of 50 to 200 employees; 12 weeks for 200 to 500 employees; and 16 weeks for over 500 employees. One catch, and I think this is important. Where there are not more than 10 per cent of employees who will be laid off and these total more than 50, and where the layoff will be a temporary layoff, no advance notice is required.

A mass layoff in Sudbury last year fell into this provision where there were--I cannot remember the exact number, but a very large number of employees who were laid off on a short-term basis, who were not given advance notice because they fell under this particular loophole.

There are important exceptions. The one is with respect to temporary layoffs. Any layoff that is for a period of less than 13 weeks does not require a mass termination notice, 13 weeks within a period of 20 consecutive weeks. It excludes also temporary and contract employees. It excludes people who are dislocated because of misconduct. It excludes people who are terminated as a result of some unforeseeable event such as a bankruptcy. It excludes certain occupations such as construction.

We have heard references that the Ontario advance notice provisions are the best in North America, that no other jurisdiction can compare. I do not believe that to be the case. In our report we tried to identify what were the weaknesses in the advance notice provisions.

Certainly they do not compare in one important aspect which is I think the one that is ignored by most people. I would place more emphasis on it than length of notice. That is coverage. You

can have all of the advance notice you want, but unless the notice covers a large group of people it is really ineffective. That is the case with advance notice provisions in Ontario.

The vast number of people who are laid off are just not covered by the legislation. It requires at least a period of 13 weeks. It requires that over 50 employees be laid off. The fact is that other jurisdictions have better coverage. In Quebec and Nova Scotia, all you have to do is lay off 10 people in order to fall under the mass layoff provisions. We think that is a very important issue that has been ignored in the discussions around advance notice.

On the question of temporary terminations: We believe that there is a real loophole in the legislation. Any layoff that is for a period of less than 13 weeks does not require a mass termination notification. There have been studies of this. One specific study we have referred to--the Fred Kaloren study, Layoffs, Shutdowns and Closures in Ontario Manufacturing, Mining and Trade Establishments, January 1971-June 1972, that was done several years ago--June 1974, at the University of Ottawa--what was found in that study was that there is a statistical concentration of temporary layoffs around the 13-week period; in fact, just under the 13-week period. So it appears that employers are using this time period as a way of avoiding the mass termination notification requirements.

4:40 p.m.

There are a number of questions we would raise, one of them being, when you lay off somebody or a large group of people with no notice or, in this case, very short notice because it is only the individual termination notice that is required, what does that really do for management-union relations? Does it foster a spirit of co-operation and trust?

The question is really rhetorical because I believe that the answer is it certainly does not. That is one of the things that has contributed to a real difficulty in labour-management relations in this country.

Employers have also avoided the mass-termination advance notice requirements by laying off just under 50 workers for periods of just over four weeks, which is another loophole in the legislation.

In conclusion on the advance notice: Other jurisdictions do provide tougher provisions, notably Quebec and Nova Scotia. The effects on employers of advance notice do not seem to be as ominous as employers seem to make out.

On the question of severance pay, I would like to state this right at the beginning because it is important and there has been a confusion around this as well. One of the questions the Minister of Labour asked in the discussion around severance pay was whether severance pay should be linked to pay in lieu of notice. That confuses what the purpose of severance pay is.

Mr. Turner: Excuse me--

Mr. Muszynski: Pay in lieu of notice. If notice is not given, pay should be given.

Severance pay has to be distinguished from pay that is related to wages. Severance pay properly is to be understood as a compensation for a lost job. It is not an income support or an income wage program as such.

It does, of course, have a very important secondary function which is to cushion people against economic hardship, but its primary function is to be seen as compensation for something that that person has contributed to in the past and has lost.

There is another purpose behind severance pay, which is the one that was initially viewed in Britain in the adoption of their severance pay scheme there. That is, it was used as something to encourage labour mobility. Severance pay was used as a way of making layoffs more palatable to workers by providing that possibility for them to shift into other industries.

The research on severance pay shows that it does not interfere with the job search. In fact, if anything, it encourages a solid job search approach and an attempt to get a really decent job rather than allowing a worker to take anything that comes along.

I might also take exception to one of the comments made by the Minister of Labour; that is, that severance pay is widespread and not uncommon even in the nonunionized sector. I do not believe there is any evidence of that. The evidence suggests that half of unionized workers have severance pay programs. Not all of them are good severance pay programs. Since a minority of Ontario workers are unionized, then we cannot expect many people in the nonunionized sector have severance pay schemes.

The main argument against severance pay is the cost to employers. Especially it is a high cost if the employer goes bankrupt. That is a legitimate concern, of course. This cannot be disputed. But, considering many layoffs are related to either what is happening in the market or perhaps government policy--the general structure of the economy--we might argue, as has been done in Britain, for example, with their severance pay scheme, that government should initiate a severance pay scheme; there should be a publicly mandated and publicly sponsored severance pay scheme.

In Britain there is a central fund which is financed by fixed weekly charges per worker on employers. When layoffs occur and employers make severance pay to the workers, they are reimbursed to 40 per cent of the payments they make. This is important, because it might constitute a really important part of a layoff policy in Ontario.

Mr. O'Neil: Where was that?

Mr. Muszynski: This is in Britain.

It is very important because it might be expanded, as some people have suggested, to include provision for layoff time retraining programs. As we all know, the training programs in Canada are very poorly developed. There is a federal parliamentary task force investigating this problem right now. We at the social planning council will be making a brief to them suggesting that layoff time retraining is a really important component of any training program and comprehensive layoff policy.

Mr. Van Horne: To whom are you making that recommendation?

Mr. Muszynski: There is a parliamentary task force on employment in the 80s, which is investigating skilled trade shortages in Canada.

Mr. Van Horne: Will you be making recommendations to anyone on the provincial manpower scene, such as Mr. Pollock?

Mr. Muszynski: No, not specifically. We will be making our brief public, though, that we will be presenting to the parliamentary task force.

We might also consider conditional rebates to employers based on whether employers participate in a particular adjustment scheme that might include provision of severance pay, retraining programs, relocation programs and so on.

A brief comment on manpower adjustment committees: You know that these are administered by the federal government. I am quite happy to hear the provincial government is now making them mandatory where they are designated. That is an important move.

There is some problem with any job placement effort in an environment of scarcity. One of the effects is that it simply may be creaming the best employees from any particular pool of laid-off workers into the jobs that are available, and it does not necessarily deal with the hardest-to-employ workers very well.

Mr. Van Horne: Are you suggesting that creaming is wrong, though?

Mr. Muszynski: No, I am suggesting that, as a layoff strategy, it might not be very comprehensive. I support the manpower adjustment committee approach, but all I am pointing out is that it does have severe limitations in terms of dealing with unemployment. For example, it may simply cream off the best workers that are laid off in an industry into jobs that might otherwise have gone to other unemployed people in the community.

I think those general comments could be made about any job placement effort. They simply relate to the fact that there are few jobs around and providing certain people with certain benefits in the job-finding process often acts as a creaming device.

Mr. Van Horne: Again, that is an observation without being argumentative: If you do not have something like that, then you may as well put the names in a hat and draw the names out.

Mr. Muszynski: I do not dispute the value of the manpower adjustment committee approach and I support, as I said, the fact the Ontario government is now, where it is designating, making them mandatory on employers.

Mr. Van Horne: It is an interesting avenue to pursue, if I might, Mr. Chairman.

Mr. Chairman: Mr. Van Horne, we can come back to that. I was wanting to interrupt a moment or two earlier. We have five people on the list to get in and ask questions. You have raised an awful lot and you have asked some questions yourself.

With an eye to the clock--

Mr. Muszynski: Okay. Just two or three more minutes.

Mr. Chairman: Is that okay? And then, Ron, can I put you on the list?

Mr. Muszynski: I would like to speak briefly about the labour force planning, or manpower planning as it has been called.

The federal commission of inquiry into redundancies and layoffs, which reported a year and a half ago, was chaired by A.W.R. Carrothers at the federal level. It looked into federal legislation on the layoff question. It would be important for this committee to review their report. You are probably aware that they concluded, "a substantial portion of the potential layoffs in Canada could be avoided by the use of manpower planning and attrition at the level of the enterprise."

We think this is important. We have a similar conclusion. To quote from their report: "Too many employers do not plan the use of their human resources. When change comes it is difficult to see any alternative to redundancy and termination of employment at the least possible cost."

4:50 p.m.

What could be suggested is that advance notice provisions might simply act as an incentive to employers to think more clearly and think on a longer-term basis about their labour force requirements.

A number of mechanisms could be used for these purposes. Some were suggested by the federal commission, namely, restricted overtime, early retirement, normal attrition, work load scheduling, short time, maintain higher levels of inventories to meet fluctuations in the need for employment and, perhaps, even differential price structure to encourage more lead time on orders. This would have the effect of levelling out production over a period of time, and therefore levelling out employment.

I was going to comment on pensions, but I think I will leave that. Perhaps if it comes up in the discussion, we can go on to that.

Mr. G. Taylor: Mr. Muszynski, you mentioned earlier, and I was intrigued but could not get to it. You were sort of challenging the statistics that even you prepared and others, that were highly inaccurate. I add one to that and see if you can confirm it or not, about the Unemployment Insurance Commission.

There have been theorists who attack even its methods of putting together its statistics as to the number of unemployed at any given time. Since they were put together back in the 1940s, they have not been changed and they do not come up to today's standards. Indeed, they are just really an inaccurate sampling. As long as you do not change the sampling method, they can continue to be inaccurate up to the point that there is really no accurate method of saying, "That is the number of unemployed during any given period of time."

Is that accurate? Is that a fair statement or comment?

Mr. Muszynski: No, I do not think it is accurate in so far as the sampling is inadequate. Statistics Canada is probably the best statistical research agency around. If anything, their methodology and sampling procedures are quite accurate.

What is the problem is not so much the sampling but the definition of unemployment. Statistics Canada itself will acknowledge the fact that its measure of the labour force is probably inadequate because it excludes the hidden unemployed, or the discouraged workers of various kinds. The four-week rule, which is that you have to be looking for work for a period of four weeks, and which defines you as part of the labour force and unemployed, has the effect of excluding the number of people who have dropped out the job search process.

One might also consider, quite legitimately, the labour force to be much larger, if you consider people who might be available for work if certain kinds of services were available; for example, day care. If day care were much more widely available, then the labour pool among women would be much larger. So the measure of unemployment is inadequate because of the definition.

Mr. G. Taylor: Does that same thing not bloat the statistics? There are some people who will fill out the unemployment insurance form to keep their unemployment insurance position in a positive situation, yet really have no intention of securing work; but they keep adding in. Is that a fair comment?

Mr. Muszynski: The measure of unemployment using unemployment insurance recipients is not an official measure. If you look at a number of people who are on file at unemployment insurance--not necessarily collecting, because a lot of people are on file who are working, or just keep their names on file--is about equivalent to the number of people who are officially unemployed.

On this question of padding, it is true. But one would have to say that it is within the system. People are kept on the unemployment insurance rolls because the system operates that way.

You keep your claim on, you go out for work, you claim the amount of money that you make and that is deducted from your unemployment insurance. In turn, the number of people who are included in the unemployment insurance file are people who are receiving maternity benefits and people who receive their final cutoff payment when they reach 65.

The unemployment insurance statistics are not really a good way of measuring unemployment. The official measure is generated through the labour force survey conducted monthly by Statistics Canada.

Mr. G. Taylor: That is a mailed out sampling, is it not?

Mr. Muszynski: It is an over-the-phone sample.

Mr. Cureatz: I would like to ask the witnesses, first of all, what their positions are with the social planning council. If you mentioned it, I am sorry, I missed it.

Mr. Muszynski: My position is program director.

Ms. Krawetz: I am a project employee.

Mr. Cureatz: What does "project employee" mean?

Ms. Krawetz: I am on contract.

Mr. Cureatz: I am curious about how many people are employed with the planning council.

Mr. Muszynski: There are approximately 22 staff members, and approximately 12 to 14 professional staff members.

Mr. Cureatz: I am trying to get a handle on your expertise in the area that you have been involved with. There are a substantial number of people from whom you gather information by the sound of it, with that number of employees.

Mr. Mancini: Understaffed and overworked.

Mr. Muszynski: As it turns out, any social agency is. I am responsible for the area of income and employment security as a research area at the council. Donna and myself have been the two people who have been researching this area over the past two years.

Mr. Cureatz: You indicated, with reference to your various tables that you have handed out to the committee, and as my colleague Mr. Taylor has pointed out, that records in the numbers game are always in question.

I am wondering if either one of you has a suggestion for possibly improving the keeping of records and numbers. What area of jurisdiction would you suggest that should fall under--the Ministry of Labour, provincially or federally, or the Ministry of Industry and Tourism? Have you given that thought?

Mr. Muszynski: I think the federal government under

Statistics Canada could develop a better procedure for measuring layoffs, simply through a sampling procedure as an extension of their labour force survey. We might encourage them to do that. On the other hand, the Ministry of Labour could do things that no sampling procedure could do. One of the things it could do is acquire--

Mr. Cureatz: Of course, a sampling procedure--those figures to me would seem highly questionable too, because you are just taking a sort of shotgun approach.

Mr. Muszynski: One has to assume some sort of scientific legitimacy of a sampling procedure. Their sample is, as it turns out, a very large sample of Canadian employees in the labour force.

Mr. Cureatz: You say if you get a good cross-section, then you would be able to project that into some kind of figure close to reality.

Mr. Muszynski: Yes. What it purports to do, I think it does quite accurately. As I mentioned before, I think it is the definitions that are the problem. One of the problems is the definition of layoff in the labour force survey, which is totally inadequate. It just lists people on layoff who have been on layoff for a period of less than 13 weeks with a definite date of recall. Anybody who has been laid off because of a plant closure, or indefinitely laid off, is not listed as laid off, but simply listed as unemployed.

One could ask more detailed questions around the reason for the job loss, whether there was termination as a result of a plant shutdown, as a result of an indefinite period of time, as a result of something which has happened at the plant. You could ask more detailed questions and it would be possible to get more detailed data from that, although one would have to look at subsampling size and whether it is legitimate to do that. I don't know. One would have to look at it more closely.

Mr. Cureatz: Can you envision the possibility of ever having completely accurate statistics which would satisfy all people concerned?

Mr. Muszynski: I was going to mention that I think there is another way. The Ministry of Labour keeps statistics. They could require employers to register any layoffs, by law, with the Ministry of Labour. Even in the absence of any provisions to do anything about those layoffs, if advance notice provisions covered more people, as they do in Quebec, for example, where mass terminations cover as many as 10 people, we would have a much better record of the number of people who would be laid off on a month to month basis.

5 p.m.

Mr. Cureatz: What, in your mind, would be the benefit of having these detailed statistics?

Mr. Muszynski: As a researcher I am interested in it in

terms of developing policy. I would hazard a guess that it would be very useful for purposes of identifying the kinds of layoffs in order to develop specific kinds of policy. We have already suggested that different kinds of layoffs merit different kinds of responses. If we had a better idea of what kinds of layoffs were happening where and to whom, then we would have a much better idea of what to do about it.

Mr. Cureatz: One of you indicated a fear that the problem we are facing is so large that you are doubtful whether we are going to be very successful in coming up with any kinds of solutions. I am wondering if you could expand on that personally. It gives committee members a fatalistic feeling of, "What do we do? Pack it in now?"

Ms. Krawetz: What I meant was the resources that you would have available to you, in the way of a lot of researchers, is going to put a constraint on what you can do. I don't think you should pack it in; not at all. It is very unfortunate in that it indicates there has not been any attention in this area prior to this committee being formed.

I pointed that out to try to illustrate that there are certain attitudes about layoffs; that is, they are acceptable, they are supposed to happen, and that that is why we do not have any kind of research right now which a committee like this could resort to. You are going to have to do the best you can by bringing in people like us, and particularly by looking at the cases, speaking to union representatives and getting more co-operation from the employers.

Mr. Cureatz: You do have a bit of faith in the committee and you are suggesting--

Ms. Krawetz: I didn't at all want to suggest that I have no faith in the committee.

Mr. Cureatz: I am trying to get it from your perspective.

Mr. Turner: Could I ask a supplementary?

Mr. Cureatz: I want to get in one more shot in this area and then we can go into supplementaries with Mr. Van Horne, Mr. Turner and Mr. Taylor.

You are suggesting that for something innovative, as this committee is, while we are working at it, we should have available to us whatever tools can be provided now so we can get into the meat of the problem--be it staff, counsel, or whatever.

Mr. Muszynski: I would like to comment on your question. I am not terribly pessimistic about it. In fact, one of the reasons why we wanted to come here was to suggest that there were very specific things which could be done, although we believe the overall problem is related to the operation of the economy and that we really require a commitment to full employment.

What we have to do is to look very specifically at these

organizational dynamics, and not accept individual cases of layoffs as inevitable. We believe by focusing on this and doing very specific things, the kinds of things we have outlined, would constitute a policy of job retention. Since net new job creation has slowed down because of the nature of the economy, a job retention strategy is a very important strategy at this point. We wanted to highlight that to you today.

Mr. Cureatz: I have one further question for personal information. I was quite impressed with your continual reference to what you have read in Hansard. Does the social planning council subscribe to Hansard, or do you do that on a personal basis? How does that happen?

Mr. Muszynski: We receive it on subscription and read it. We just reviewed Hansard with respect to these issues over the past month to get some background so that we might be more relevant to you.

Mr. Cureatz: You have purchased a subscription to Hansard?

Mr. Muszynski: Yes.

Mr. Cureatz: All right. Thank you, Mr. Chairman.

Mr. G. Taylor: I have one supplementary on that.

You were giving the statistics earlier in regard to larger layoffs, 15 and above, and referred to the legislation there. From your report, there are some features that occur, as a result of those layoffs, to the individual, but do they not occur just as singularly with any individual in any given situation, as they do to any individual in a larger situation?

I might have the same problems, if I lost my job, regarding divorce, health, matrimonial, money, losing a property. So if you were trying to correct this, in regard to legislation, not only do you have to do it in layoffs in numbers, you have to get right back down to a singular situation if you are trying to correct a problem.

Ms. Krawetz: Yes, we would both certainly agree with that. The reason the 50 workers figure was first chosen was that it was expected if you have a large layoff that is somehow going to have greater implications for the community, greater implications for the workers, because there are going to be more of them out of work at one time, maybe workers with the same skills, so there is going to be more competition for jobs. That may be appropriate in a single-industry town or a small place, but in a place like Toronto, I do not think that is appropriate at all.

Certainly the impact that a worker could suffer could be very different. You may have the case where you have 50 workers being laid off and a lot of them may not suffer greatly at all. You may have another case where two people are laid off and they experience very negative consequences. That is one of the reasons we are pointing out that this idea of saying we are going to have

more adequate advance notice for the large terminations is not the approach we would take. We would like to see that number lowered to say 10 or even five.

Maybe this distinction between mass terminations and individual terminations should be just done away with, because it seems to be based on assumptions that in Toronto, I think, do not hold.

Mr. G. Taylor: Thank you.

Mr. Ramsay: My first question stems from a comment I am not sure I understood when you made it. It was in response to a question that Mr. Mackenzie had asked relative to attrition in the work force.

Would your response be to the effect that this was a desirable or undesirable method of reducing the work force where circumstances warrant?

Mr. Muszynski: I think Mr. Mackenzie's question related to how we measure layoffs and whether we can properly understand attrition as a way of laying off people, even though it might not be considered an actual layoff, or, from what I understood him to mean, that when you let somebody go or somebody retires you just do not hire in their place.

In some cases, obviously, it could be considered a reduction of employment, a reduction of an employment opportunity. But for our purposes it is not properly considered a layoff then under the strictest sense of the term.

I do not necessarily place a value on attrition other than to say, if that is the case, and I believe it to be the case, it is reducing the overall number of job opportunities available and is a consideration we, and perhaps you, should have with respect to the level of employment.

Mr. Ramsay: I happen to feel it is a very responsible way of reducing the work force when circumstances warrant that the work force be reduced.

Mr. Muszynski: Yes. In fact I thought I had mentioned that in my discussion of labour force planning or manpower planning at the level of the enterprise. Rather than choosing layoffs as a strategy, we might consider a range of options which would include attrition, as well as a number of other essentially planned options for reducing employment. In that sense, I value it over the kind of dislocation that you might be considering here.

Mr. Ramsay: Yes. You people are researchers and have obviously done a lot of research for the study which you prepared entitled, Layoffs and Unemployment, and possibly even before appearing before this committee.

5:10 p.m.

I have a fear, with some substantiation already, in the

short period of time that this committee has been meeting, that employers are going to wind up as being the heavies in the piece. While they might deserve that mantle when this committee is all over, just on balance, in the hopes of balance, I would like to ask your opinions, as researchers who have looked into a lot of circumstances and a lot of situations, have you not found cases where there are companies who have run unprofitable branches? In other words, they have had profitable ones and have used those to subsidize unprofitable branches.

Have you run into companies that absorb large losses, year after year? Have you run into companies that do care about their employees, that do make an effort to work things out, give employees ample notice, arrange for other jobs, give them additional pension benefits, use the so many different ways they can to cushion the shock? Has it all been one-sided?

Ms. Krawetz: I do not think we have looked at a lot of layoffs on a case-by-case basis. We have not done that type of work. But I would say, yes, there certainly are cases of the type of employers you have been talking to us about.

What is important is to point out that all layoff situations are not the same. That is one of the things we have been trying to get at. It is very difficult to come up with a set of recommendations which are going to hold for every layoff and are going to be valid and applicable in every case, which is one of the reasons we reject an approach that would put a lot of emphasis on minimum standards. It is one of the reasons we are saying you ought to have a process for handling these layoffs where labour and management could get together, sit down, and management could be presented with what labour's concerns are and labour could be presented with what management concerns are.

There may be a case where management is simply in a position where they cannot afford to give severance pay. They cannot afford to set up any kind of special training program. They cannot afford that. That is why we are recommending if there is a process of consultation and you do have a government co-ordinator or facilitator, then that person, we would presume, would act as a neutral third party and could evaluate exactly what the situation is.

There may be situations, as well, where workers are not going to be very negatively affected. Say you had a layoff where most of the people in the work force were in their early 30s, they were highly skilled, they could probably find jobs in a few weeks. That would be quite different from a case where you have a work force with most of the people in their 50s who are unskilled and are not going to find any jobs.

That is why we would favour an approach where there is some flexibility, where somebody could say, "We cannot say in every case this is what ought to happen, that the company ought to relocate everyone or the company ought to do this or the company ought to do that." They almost have to be handled on a case-by-case basis.

We think that approach can only work if government has certain powers in those cases. One of those powers is to have access to information, along with not just government but workers as well, to understand what is actually happening in the case, and that there are things government can require.

Because if you say, "We are going to have a government co-ordinator who is going to look at the situation and he is going to suggest to the company that they do this or they do that," I think you would find cases where management would say, "We are not doing anything and you cannot make us."

Mr. Ramsay: The legislation that was introduced on Friday then by Dr. Elgie is a step in the right direction to compel companies to set up these committees you are discussing.

Ms. Krawetz: The committees he is speaking about are manpower adjustment committees--

Mr. Ramsay: Yes.

Ms. Krawetz: --and their specific function, at least in the past, has been to help workers find new jobs.

Mr. Ramsay: Okay. Could you tell me what your--I have lost you a little bit there.

Ms. Krawetz: Those committees, in effect, have been required in Quebec for 10 years now. Some of the research I have read called them "funeral committees." Basically, the employer will sit down with the workers and they are charged with the responsibility of finding new jobs for those workers. Usually that is the case.

What the employer will do is phone around to his competitors and other types of companies and say: "I have got some workers. Can you take them?" That is the type of process which goes on.

What we are talking about would be something where other requirements could be made of an employer. Say the employer has other operations in Ontario and maybe they are expanding their operations in other locations in Ontario, which has been the case in the past. The government facilitator could say, "We would like you or we will require you to hire those people and help them move."

So we are seeing an expanded role for that type of committee. We think that could only function if a government facilitator or co-ordinator has power to be able to make requirements, to make demands.

Mr. Ramsay: Just one final short question. Are you aware of that type of committee being in existence in any jurisdiction in the United States or Canada?

Ms. Krawetz: No.

Mr. Mackenzie: I recommend to the committee members your

comments on your working paper two on page 12, which I think--I am not going to read it into the record, the members can read it themselves--indicates the inadequacy of the record-gathering information that we have.

If you have been reading Hansard, as I gather you have, you will realize that the minister himself has said that the ministry records are inadequate. Interestingly enough, the ministry was saying the same thing five years ago in exactly the same words, that we have not got a handle on how we pull together the problem in terms of shutdowns and so on.

I am really wondering, in view of it, whether a good case could not be made that your own figures are a little low in terms of the job losers you have given us in the report here. Would you be satisfied that the figures in your report for the years 1975 to 1980 are reasonably accurate, or are they more likely to be low?

Mr. Muszynski: As I mentioned, what these represent between 1975 and 1979 are average figures over the year, from a point in time, mid month every month, which attempts to analyse of all the people who are registered as officially unemployed, how many people have lost their jobs as opposed to those who have left their jobs or, in fact, are re-entering the labour market. These do include a certain amount of people who have been fired from their jobs. From our estimate from a survey that we had done several years previously, that number is rather small, so the vast majority, probably over 90 per cent, are people who have been involuntarily terminated from their employment.

In so far as there are a number of people who are unemployed and who are hidden, not registered in official unemployment statistics here, who would have lost their jobs because of layoff and become discouraged, and in so far as there are people who have gone out of the labour market and are registered here as re-entering the labour market and they have lost their jobs as a result of an involuntary termination, one could argue that this measure is low, that is true, but we have no way of knowing that beyond what we are told here.

Mr. Mackenzie: We do know that somebody, for example, who has finally run out and gone off UIC can very well be part of that invisible figure.

Mr. Muszynski: Yes, that would be possible.

Mr. Mackenzie: There are a fair number if you deal with some of the welfare recipients in the constituency offices who are now looking for some other source of funding or financing. Also, in terms of people who might be registered and it not be accurate, the point I thought that Mr. Taylor was making, my experience has been those who have filled out the forms and do not qualify, do not qualify because they did not have enough weeks in. They were still out of the work force but there was some specific reason why they are not part of that figure and you still have them there as a fair block of people who are not working.

Your comments on the different layoff situations could be

assessed in different ways. In that this requires labour and management to be more or less equal in terms of looking at a particular situation, you are aware of course that probably well over half of the workers in Ontario do not have any representation or are not organized and I am wondering if an idea that we have put forward makes any sense to you.

That is simply a job protection board set up by the provincial government that would have the responsibility to determine whether or not the intended layoff or plant closing is or is not justified, I guess; and where it is justified, whether there is a specific recommendation that can be made or is required, and where it is not justified, what action is required to prevent the intended layoff or plant closing from taking place. Would that be a possible step?

5:20 p.m.

Ms. Krawetz: We have thought about that type of public body as well. The problem is that we have not been wholly comfortable about the kind of criteria which would be applied to assess if the company is justified in making a layoff.

For example, if you go to one of these companies that was making 13 per cent and thought it could go elsewhere and make 15 per cent, does the government have a right to say that it cannot move, that that layoff is not justified? I think those are the kinds of situations that would come up. There would have to be some guidelines for resolving that.

Mr. Mackenzie: On the other hand, those are exactly the kinds of questions that such a board would have to look at. What other agency do you foresee as possibly being able to do that? What specific recommendation would you have other than such a job board, which could have representatives appointed by the government and various groups?

Mr. Muszynski: Speaking personally, there is a lot of value in that kind of proposal. There are a number of details that have to be worked out. I think your model is based on some European models where there is provision for public review. In our report we called it the "need for a public audit." This would simply allow for the presentation to the public--in this case, the community being affected--the information that led up to that layoff, in order to assess whether it is justified from an economic point of view and whether alternatives could be found.

In several jurisdictions in Europe the provisions allow for prevention of the layoff for a period of time. What would happen is that where, for example, there is very high unemployment in an area, a committee or board such as you have suggested would have certain powers to restrict, for a period of time, the ability of a plant to close and leave the area. As far as I know there are no jurisdictions that have the absolute right to prevent an employer from pulling out completely and forever, but there are some restrictions imposed upon employers in this process, and I think that those are important.

I would think it would be possible. There are a number of things that would obviously have to be worked out, such as what criteria you use to assess. This kind of process of public review would seem to be justified, and from that point of view, I think it is a good proposal.

A good case can be made for the very high costs of unemployment to the community and society, as well as to government, especially through provision of unemployment insurance and various other services.

Mr. Mackenzie: If you had such a board arrangement and they were charged with taking a look at all of the circumstances surrounding a proposed plant closing, and then made the report back to the minister, I take it that you agree, from some of the comments you have made as well, that the persuasion, or close personal relations which my colleague Mr. Ramsay likes, are not enough. We are going to need some authority where we can indicate that there is a viable operation, an operation that is a money-maker or one that may have some other use to the province or the community. There is going to have to be some authority vested in the minister to make rulings, even if, as you say, they are only on a temporary basis.

Mr. Muszynski: I think that is the problem. In Hansard, the Minister of Labour outlines the function of the co-ordinator. In his outline, the co-ordinator will make immediate contact with management and with the employers or their representatives to obtain all pertinent information in order to assess the possibility of maintaining the operation.

The critical question is, what criteria do you use to assess whether the operation should be continued? Also, what powers do you have over making a decision that would keep the employer operating for a period of time, or even permanently?

Under the present proposal it would seem that it would be based on a process of joint consultation; an attempt to conciliate, but with no necessary redistribution powers.

In other words, if this co-ordinator found a situation where this closure was happening for outrageous reasons, or for no good reason at all, that it was having a potentially detrimental effect on the community and the employer was not willing to rethink or do anything different, this co-ordinator, or the Ontario government, would have absolutely no power in that situation.

That is the kind of thing that we had suggested was a major weakness of the joint consultation approach adopted by the federal commission of inquiry on redundancies and layoffs chaired by A. W. R. Carrothers. They stressed the importance of a joint consultation approach on the assumption that joint consultation would lead to much better decisions.

While I believe it has real value and might turn decisions made by certain employers, I think that in the final analysis, as long as the power rests with employers to make the decision to

leave, then they will do that. One would have to make some sort of change in that ability to do it.

Mr. Mackenzie: I want to get back to what such a board, having been convened and made recommendations to the minister, could do but I can't do it without leaving the references you made in effect to the Joyce appointment. The concern I have is that it is very much an after-the-fact situation. I don't see any authority allowed there really.

It seems to me that once again it is a case--I think the old expression was an apt one--of the caretaker looking after the laying out of the corpse and doing it as nicely as possible. There is nothing that I can see that gives the present arrangement of the ministers any authority to require anything from a company.

Some of the actions the government could take with the company involved would be, for example, to freeze the machinery or assets in a plant during the discussion so that it could not be taken out of the country--which a number of workers from plants which have closed down have complained about--or to require additional payments to their insurance plans to cover those people who get caught in the never-never land in a plant shutdown but do not quite qualify; or, whether the closing company wants to or not, to require it to make the plant available for sale to another party and to assist in negotiations that might see the plant to do that.

Another requirement could be that the employer make payments to a community adjustment fund. That is something that might start long before the actual closing, so that there is some kitty there--such as we are now starting to do in terms of the environment--with regard to the costs that are going to be assessed for that particular community; or that a reasonable reassessment cost also be charged against the company.

Are all of these things viable options or pressures that could be exerted in terms of a company's responsibility?

I am assuming that the board, if we had such a board, has the authority, to begin with, to require the opening of the books. It seems to me that justification is the first step and information that is desperately needed. This is something that does not seem to scare most European jurisdictions, but it sure as hell still goes against the grain in North America.

If it has that look at it, and does say there are things that could be done, are these the kind of steps or authority that a government should have?

Mr. Muszynski: You are not asking a very technical question there of course. You are asking a very value--

Mr. Mackenzie: I am saying should the government have the authority to intervene in this fashion?

Mr. Muszynski: I don't think the question could be easily answered without referring to the fact that obviously that

question is an extremely contentious one politically, and one that certainly rests on your belief in the role of government in the economy and the correct role that government should play vis-a-vis the allocation and decision making around capital.

With respect to some of these questions, seizure of assets, for example, I think one has to be quite careful in talking about individual approaches like that, given the fact that we don't have a full-scale commitment to a different set of political values.

5:30 p.m.

On some questions, for example, the contribution to a community readjustment fund, I think that that kind of thing has real merit, given the fact that there is a substantial impact, especially on those communities where you have one large industry that is closing down. It can be very important to have some sort of fund in place.

As I have mentioned, some sort of severance pay scheme or fund might have some joint government-employer contribution requirement, since we must acknowledge that in some cases, the layoffs are the result of certain fiscal and monetary policies that are pursued at the federal and provincial level. Some closures are, in fact, the result of policy that is independent of employers.

Perhaps I have not answered your question very well.

Mr. Mackenzie: The point I want to make, and I am simply using some of your own information that you have given to us, is that legislation without some authority is going to be no good.

Mr. Muszynski: That is precisely true.

Mr. Mackenzie: So I am asking if those make sense as arrangements. If you have had a board look at the situation and, for whatever reason, they have made some recommendation that this may still be a viable operation, how do we then wind it down with the least damage to the employees?

We don't do it with moral suasion, I will tell you that.

Mr. Muszynski: I think you are quite right. I would argue that one of the major weaknesses with the proposal that we have now before us is that it does not seem to have any legislative clout. One would need that in instances where employers are totally reluctant to do anything. We have some evidence that many employers are reluctant to do anything that would benefit the workers in the process of readjustment.

By that I don't want to imply that a joint consultation process is not valuable. With regard to Mr. Ramsay's comments earlier, which I had wanted to answer, there are a number of employers who would engage in what I would view as responsible labour force planning arrangements and readjustment procedures. Where that is possible, the companies should be encouraged. The fact is we have to acknowledge that there are going to be a number

of situations where they are not going to be willing to do that. The question is, in those instances, what kind of powers does a government have to turn that around?

Mr. Mackenzie: I think our perfect examples in society today are probably Bendix, Houdaille and Tung-Sol, where the companies clearly were not willing to move at all. It wasn't the government that moved, it was an action by the workers, which I agree the workers should not have had to take, that resulted in a sizeable change in the kind of benefits achieved.

It seems to me the onus should be on the responsible ministerial authority, not on the workers to take action that may not be legal in strict terms.

I take it that the community adjustment fund is a concept that you find no real difficulty with.

Mr. Muszynski: I don't have any difficulty with it in principle. I think on all of the issues you have mentioned, there are a number of questions that have to be asked. You would have to elaborate a little. I don't have any problems with them as you have presented them.

The Acting Chairman (Mr. G. Taylor): I have Mr. Van Horne and Mr. Renwick on the list, in reverse order, and there is a half hour left. Do you want to split the time?

Mr. Renwick, you are next on the list. I didn't want to see Mr. Van Horne waiting there as the minutes run out.

Mr. Renwick: I appreciate the witnesses' comments today. They have raised in my mind a number of what I consider are the profound considerations we are going to have to address in this committee at some point.

The sense of urgency which this committee has, and which I share very deeply, is that we very much need to have an interim first report before the House rises early in December.

That report in many ways can simply be a pathfinding one. We hope there will be some specific things we may be able to recommend that would get serious and speedy passage.

My experience over a long period of time shows me that committees such as this never help the people who caused the committee to be formed. They are always somewhere down the road and that accounts for my sense of urgency about it. I would like to be sure that if this pattern of significant layoffs and plant shutdowns continues in any degree, that future people will very speedily have some solace and actual benefit from what we might recommend.

With that brief introduction, I take it that what comes through very clearly to me in your report and in your comments today is that we are going to have to, as one of our recommendations, stress the immediate urgency of working out an adequate statistical basis for information, so that people can

agree on the nature and the extent of the problem in all of its ramifications That will involve a number of definitions I would think which are obviously imprecise.

I do not know whether you want to comment on that. But I take that to be one of the major urgent things that we could comment upon. I have been concerned both in the minister's statement on October 14, and in the information which Mr. Cassidy, the leader of our party, has tried to put out that it immediately brought forth an argument about who was right and who was not right on the figures. Then we have this rather voluminous statement about statistical information made by the Ministry of Labour on the day, November 4, when the minister and his advisers appeared before us.

Mr. Muszynski: Can I just answer that?

Mr. Mackenzie: Yes.

Mr. Muszynski: As a policy analyst, I am always amazed at how there is no necessary relationship between the amount of information that we have and the policies that flow out of that information. So I do not want to give the wrong impression when I stress the importance of collecting data and the inadequacy of our existing data base. It will not necessarily lead to adequate policy formation.

That is what I would like to state at the outset. But, having said that, it certainly is important for a number of reasons that I have outlined to understand in greater detail what kinds of layoffs are occurring and what are the likely effects of those layoffs. We do not have an adequate understanding now.

There are some specific things that even the Ministry of Labour could do to improve its data collection capacities. Obviously, those kinds of things should be recommended and I would heartily encourage you to do so.

Regardless of what the figures show, I think that I would support--and I think that some emphasis perhaps should be taken off figures at this particular point. We know that layoffs are a problem. We have known about it for some years, even without good data. We know that simply from case studies and individual experiences and from the inadequate data we have right now.

I would like to stress the fact that information does not necessarily lead to adequate policy formation. Even if we do get adequate data, and I would certainly like that as a researcher, it might not change things very much.

Ms. Krawetz: I think the point we are trying to make is that maybe it does not matter if we have 10 plant closings or if we have 100 plant closings, it is the principle that is involved in that. If we have 100 workers being affected, does it really matter if there are a lot more or a lot less?

I think what we are saying is that there is some sort of responsibility of society and of the employer to that worker;

whether that involves 10 workers or 100 workers, the principle is still the same.

Mr. Renwick: I do not have any difficulty with that position. The specific thing which is of concern to me is when the minister on October 14 said: "May I begin by saying that in outlining these proposals I do not intend to get into statistical battle with my friends opposite."

"I could point out that some of their figures relating to the number of closures and the number of employees permanently affected do not give an accurate picture of the nature and extent of the problem. I could also point out that in relative and aggregate terms the problems facing Ontario workers in October 1980 are not dramatically different than in previous years."

5:40 p.m.

It seems to me that one could go on forever in an argument about who was right and who was wrong about that. It seems to me that it would be our obligation to put to rest that kind of inconsequential argument, so that one could then, at least on the basis of the information available, agree that that is the state of the world at this particular time. Then you can have rational arguments about the need for policy changes or the policies applicable in that field. That is my particular concern about it.

All we can do in our report, without prejudging what will be in the interim report, is to pick up on the concern which we have had and the emphasis that you have given to us that there is not adequate statistical gathering information and there are not adequate definitions with respect to the use of statistical information, so that reasonable people can have a reasonable discourse about the nature and extent of the problems and what policy changes or alterations should or should not be made on it.

I do not have any problem with the other aspect of it. I think the committee is in total agreement with it. That is why we are trying to proceed on a limited number of cases in the limited time we have available, so we can focus on who is getting hurt and the extent and degree of that hurt, and whether those people should suffer that kind of hurt in circumstances when it is quite beyond their control. So I think the hardship matter is very much in the forefront of the work of the committee at this point.

Mr. Muszynski: If I could just say two things on that: One is that even the data we do have now indicates that job loss as a reason for becoming unemployed has grown rather dramatically over the past five years. So we do know that layoffs are growing as a reason for unemployment. We do know that layoffs now in Ontario are worse than they were 10 years ago. That can be said rather conclusively from the minimal data we do have.

With respect to the case study approach, which is your approach, it has a considerable value. However, one cautionary note might be that there are a considerable number of layoffs occurring that are not receiving an awful lot of public attention. Those are the layoffs that are the result of the operation of very

small employers. My recollection of the number of employees who are employed in establishments of less than 20 people is that about 50 per cent of all employment is in establishments of less than 50 people. What that means then is that these people are being affected by layoffs as well, particularly small businesses with high interest rates right now.

There is very little by way of legislation protecting these people. I would want to highlight the importance of focusing on these people as well and not just on the big cases that have an awful lot of media attention.

Mr. Renwick: I appreciate your cautionary comment. We are aware of it. It is hard to make qualitative distinctions between large and small employers, but there are some very significant differences we are going to have to address with respect to the small employer in the unorganized plant and the impact of legislation that we might make applicable to larger corporate organizations and what can be done in that area. But I appreciate your caution to us about it. It is extremely important.

It is interesting that Mr. Geoffrey Hale, not from John Bulloch's organization but from another organization, representing something called the Canadian Organization of Small Business, has been in touch with all of us in the committee and in attendance a number of times about that aspect of it. At some point in the task ahead--that is, the task that we are going to have to outline for the committee come the turn of the new year--we are going to have to address that area of concern.

That's all related to my first area of concern, which was that statistical, definitional, argumentative matter where I think that all we can do is to make the obvious recommendation that that has to be worked out somehow or other so that we have, at least, a common basis for argument, if nothing else.

The second area that I am quite concerned about: In this case I am indebted to Mr. John Eakins, our colleague from the Lindsay area, who was anxious that the industrial commissioner from Lindsay come here to talk about community impact on it and I hope that we will get a very good report from that.

I think my problem in speaking specifically to Metro is that Metro is so big that you don't seem to get any sense that if a plant such as SKF Canada Limited, which is closing in Scarborough or, say, Johns-Manville Canada, which happened also to be in Scarborough, closes down part of its operation, there seems to be no way in which we could get what the impact of that is on the community. It almost gets submerged, "It happened in Metro, therefore it doesn't matter." Whereas the industrial commissioner from Lindsay seemed to me to have at least the bare rudiments of a very real sense of the impact it was going impose on that area if the Armstrong Cork Industries Limited carpet weaving operation left.

He is going to give us a more formal submission about that matter, but certainly one of the things that went through my mind, in any of these cases--maybe we will be pursuing it with Mr. Joyce

when he comes before us--is that one of the obligations will be to put together a report about the community impact of the shutdown of a plant. This seems to me to have been ignored a great deal to date. It is always talked about, but nothing is done in the sense of what the elements are of that impact so that people do understand that when a plant like Armstrong or SKF shuts down or Johns-Manville shuts down part of its operation, that it has an immediate community impact, be the community Scarborough or be it Lindsay. Of course, it is more visible in smaller places.

Mr. Muszynski: I might also mention that it is really important in the case of plant closings that they do have a substantial impact upon older workers, because many of these plants that are closing down have been in operation for 30 or 40 years and their labour force is made up of a considerable number of older workers.

Given the nature of pension legislation and the problems with the occupational pension system, the negative impact upon older workers with layoffs, as you know, is very substantial. That kind of thing can be and has been documented in virtually every study of a plant closing that has been done in Canada, in the United States and in Britain, that we have looked at.

The Acting Chairman: I wonder if I could just ask a question on that from the chair. Do you show any situations where that might be a pre-programmed, designed closing, if you were to look at it as a corporate executive and say: "Look at my labour force. Just very shortly, because we have been here for 30 years; because our workers have arrived at a particular age frame, therefore their pensions are going to vest; therefore that's another economic decision put into the decision-making machinery; therefore I am going to close up and leave."

Have you found any studies that show that chain of events taking place? Do you know of any?

Mr. Muszynski: No. It would be interesting to find out if there have been. I haven't seen any studies that have investigated that particular possibility.

No, I don't know. I would imagine, given the nature of pension funds and the fact that employers are only required to pay out to employees what is funded in the pension plan upon closure, employees who are laid off as a result of a plant closure have exactly the same rights with respect to pensions as those who voluntarily quit. There is an incentive, definitely, for an employer to close down, given the fact that their liabilities would be limited to the extent to which the fund is funded at that particular point.

One suggestion I had hoped to get into the pension area a little bit more was for the possibility of requiring employers to record their unfunded liabilities, their commitments to pay out a certain pension to their employees against the assets of the firm. So that the shortfall between the unfunded liabilities and the fund would be made up, essentially, as a mortgage on assets and it could be transferred from assets upon closure. That is one

suggestion that has been made and I think has some merit, given the importance of requiring adequate pensions for people who are affected by layoffs.

I might mention also, by way in passing, that I don't have an awful lot of faith in the private occupational pension system. The social planning council is on record as making a recommendation to the Royal Commission on the Status of Pensions in Ontario on the importance of an increased role for the Canada and Quebec pension plans. That is really the only way of providing adequate pensions to people on retirement.

There doesn't seem to be any structural way around the inadequacies of the private occupational pension system. With the number of suggestions that were made by the Senate committee on retirement I think we could see very substantial changes and benefits that would accrue to workers, particularly workers who would be faced with the possibilities of early retirement, to tie into the Canada pension plan, through an early retirement provision.

I think that kind of thing might be very important to you in your considerations of what could be done for older workers.

The Acting Chairman: It occurred to me, when we were going through the Prestolite situation where they were there for a period of time, that also compounds it. Not only do your pensions more likely become vested but your workers, if they are older, are also usually being paid the highest rate. So into your equation of decision-making, you have those features.

I don't know whether, in your knowledge of looking at things, you have run into anybody who had done a measurement of at least those two features on "why we would close" being a corporate decision.

Mr. Muszynski: It would be very hard, I think, to investigate that kind of thing.

Mr. Renwick: On that same point, one of the valuable distinctions that you drew forcibly to my attention was that in talking about an organized plant, in a temporary layoff situation, it is the younger workers who get laid off because of the seniority requirement. They are the ones who bear the burden of that.

But in a permanent layoff, or a shutdown of a portion of a plant, or a closure, it is the older workers who bear the brunt of that. You then get into that whole vexed question of people with something called a "lifetime investment" in their jobs who have significant implant skills that are just not transferable anywhere else. They are highly skilled in the plant they worked in, but there just don't happen to be places they can take those skills. They are not portable in the way that a skilled tradesman's skills are portable.

Which leads me to the third area of my basic concern; the question about who picks up the cost after the event occurs. I

want to use Armstrong Cork and I want to set that aside.

Armstrong Cork--I am using very black and white terms--specifically stated that they gave their public notice in accordance with the statutory requirement. That was the first public notice they gave to government or to the workers or to the town of Lindsay or to anybody, about it. Those were, of course, the Dunlop amendments in 1971 that gave that extended notice.

Then there is the question of does anybody pick up the costs of these people who have worked for so long, are out of work and aren't likely to be able to get comparable work, and the disruption which is involved in the community costs?

That is one question, but it seems to me that begs a previous question to it and that is: Armstrong Cork took the position that if they couldn't earn 10 per cent on their money, they had the absolute right to simply shut that plant down, period. That was the position they took. They made the decision and that was it. They didn't consult, they didn't feel any obligation to anybody about it. That raises a very profound question in my mind: What is the nature of the relationship of a worker to his job in a conceptual sense?

If we are ever going to change the attitudinal responses of the community, we are going to have to look at the nature of that relationship. I would certainly appreciate it if you could either give us any guidance or help as to alternatives about the conceptual nature of that relationship.

For example, I know that during the sit-down strikes in the early days of the Committee for Industrial Organization there was no question that the proposal that you consider the worker had a property interest in his job, which was used as the conceptual justification for the sit-ins at the plants to enforce their rights, had never really taken hold, even though public response in the case of the Houdaille sit-in was remarkably mild, considering those who have a vested interest in protecting something called "private property." That is one way of looking at it.

The other way, the way that I think many companies look at it, is that it is simply a cost of production and you don't treat it any differently than anything else. You get the problem that my colleague, Mr. Mackenzie, raises, that God-damned question of attrition of jobs through technological change or in the name of efficiency or industrial engineering of one kind or another or whatever you want to call it. Obviously, that can't be acceptable.

Others will say, "All you do is to take a job and you add this little right for the employee and this little right, but you don't have any overall conceptual framework." I have real trouble, because what we are talking about is imposing standards of behaviour on those who participate in the labour marketplace; that is, those who hire and fire people.

In any event, I am saying--and I don't think I'm very far ahead of my colleagues on the committee generally--that the

present standard of behaviour which is acceptable by the community is no longer an acceptable standard.

Mr. Muszynski: If I could just comment on that: first of all, there is empirical evidence that employers have more money than they say they do when employees, in certain situations, demand some sort of compensation. The Houdaille experience is one notable one. It is unfortunate, but not surprising, that employers would maintain the position that they don't have the money to pay for compensation.

By way of example, to get at your conceptual formation here, I think it is true that in the area of employment there is a very undeveloped attitude towards intervention in the labour market, compared to other areas. For example, with respect to housing and tenants' rights, to use an analogous situation, landlords are not permitted to run down tenements. They are not permitted to set up housing in certain ways that affect the occupants of that house in an ill way. We have accepted some sort of intervention in the housing market.

6 p.m.

If we could consider this to be an analogous situation where an employer, through an attempt simply to maximize the profits, would run down his property without any consideration for the worker, then we might use that same principle to argue that some sort of intervention is justified in that process. That kind of thing does not meet our acceptable community standards.

We do have to change that process in that allocation of rights we now have in the area of employment. I think it takes that conceptual link and a very different kind of approach to employment. I think that is the kind of thing we tried to argue in our report and one of the things that is the foundation of a number of measures that would constitute what we have called the job retention policy.

Ms. Krawetz: Another thing that I always take into account is that talking about property rights in a job is very abstract. It's not something you can see. It is not like property rights that are attached with a piece of land that are clearly established, but whenever I have read any case studies or whenever you hear laid-off workers speaking, they always describe themselves as feeling used, feeling bitter, feeling enraged and even though we can't conceptualize what a property right in a job is, it is there, because those people feel that way.

The employers seem to say: "The job is a wage effort bargain. You work for me; I pay you and that's it." That just cannot be an explanation of what employment is or what a job is, simply because when people are put out of their jobs they feel so strongly about what is happening to them.

Another analogy that we have thought of--and we have been looking at these things because essentially what is being said is that a worker's rights in a job are not like owning a piece of property; he doesn't have a piece of paper that says he owns this

job; there is nothing that is supposed to accrue to him if he loses that job, if his enjoyment of his job is somehow taken away.

Another area that we have considered is family law. In the past, if you had a case where a couple was divorcing, the wife was not entitled to anything if her name wasn't on a piece of paper saying that she owned something and if she hadn't worked in the past. The way that law works now is that the wife's contribution is recognized. She may not have had a job for 30 years, she stayed home and was a housewife, but in the event of that couple splitting up, it is recognized that she has made an investment in that marriage and that the other person, the spouse, has been able to acquire a home or certain savings through the efforts of that person, so the assets are considered to be joint and are shared between both people.

In the case of a laid-off worker, that same principle isn't recognized, although workers certainly feel that somehow they are getting the short end of the stick, which is the same that women used to feel when they ended up with nothing after a marriage.

Mr. Renwick: Certainly that seems to me to be one of the core questions that we have. How do you describe, if not define, the relationship that will lead to an attitudinal change on the part of the community?

You referred to the social effects and I presume you included in that the individual effects, the family effects, the psychological impact effects and all of those. To borrow from Mr. Speedy, it is very simple; if you have a job you are a somebody and if you haven't got a job you are a nobody.

It is just that simple in all of those aspects, because I know very well that if, in a given neighbourhood, Joe down the street loses his job, there will be the intermittent sympathy for him, but it will soon be exhausted and he can easily become to be seen as a person who is now outside the game. There is a kind of an ostracism that automatically sets in. It has a tremendous effect.

It works in the reverse, too. because the guy who still has his job says; "It's not me." You have a funny inability of the community to deal with that very individual, very personal effect of that job.

I happened to watch that movie, which I am sure Hugh O'Neil watched last night, John Travolta in Saturday Night Fever. His father was out of a job and you could see the impact within that family in the period when the old man was out of a job; he immediately went down in the esteem of the family. When he got notice that he was called back, he immediately went back up again in the esteem of the family.

Mr. Muszynski: I think what you are referring to is something that researchers in this area know quite well. There is a very well-developed body of research on the social effects of layoffs and unemployment. We have referred to quite a bit of it in our paper. There is certainly no doubt that even statistically we

can relate the rise in such things as crime, mental disease and even physical disease to a rise in unemployment. All of the kinds of personal and psychological dynamics that you have outlined are certainly true as far as we are concerned in the research, not only now but over the past 40 or 50 years since the research has been conducted.

Mr. Renwick: The God-damned problem is that most of that kind of damage is noncompensable. The community just doesn't think it is compensable.

Mr. Muszynski: That is certainly true.

Mr. Renwick: The people at Armstrong Cork I think are going to be seriously, individually hurt in their own psychic capacities and nobody will think they are entitled to some kind of damages for that suffering.

Mr. Muszynski: One of the things that we have argued is that--

The Acting Chairman: Before you start; since it is 6:05 p.m., Mr. Renwick. I don't know whether you have any further questions on the subject or not.

Mr. Renwick: I was deliberately not looking at you, Mr. Chairman.

The Acting Chairman: I know you weren't, Mr. Renwick.

Mr. Renwick: Thank you.

The Acting Chairman: I was pleased to hear your comments on Saturday Night Fever and those of the committee.

Mr. Martel: (Inaudible) because I just came in, but you say there is a lot of documentation on the social impact. Could you provide us with some examples? I don't mean now, but--

The Acting Chairman: Mr. Martel, there is a bibliography of their social planning council working paper, some 41 pages of background into problems as a result of plant layoffs and many other job-related things. Working Paper No. 3, of the Working Papers for Full Employment, of your document, is that not right?

Ms. Krawetz and Mr. Muszynski, I thank you for appearing before the committee this afternoon and informing us of your knowledge and your material. I am sure we will be looking forward to your future attendance before this committee with further information. Thank you very much, on behalf of the members of this committee.

Mr. Muszynski: Thank you very much for the opportunity.

The committee adjourned at 6:08 p.m.

Lacking nos. 11 & 12., 1980.

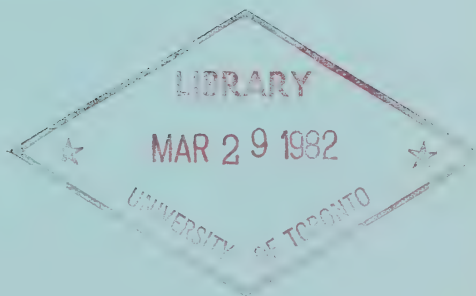
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PS-13 & 14

SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

HEINTZMAN CASE STUDY

WEDNESDAY, NOVEMBER 19, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

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Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Substitutions:

Martel, E.W. (Sudbury East NDP) for Mr. Cooke (a.m.)

Davidson, M. (Cambridge NDP) for Mr. Cooke (p.m.)

Clerk: White, G.

Assistant to the Clerk: Eichmanis, J.

Researcher: Jennings, R.F.

Also taking part:

McKessock, R. (Grey L)

Witnesses:

From Heintzman Limited:

Bradshaw, A., Vice President, Finance

Heintzman, W.D., President

Perry, L., Union Chairman

Carter, S.O., Auditor, Symons and Carter

Fisher, A., Mayor, Town of Hanover

Sachs, H., Representative, International Woodworkers of
America

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, NOVEMBER 19, 1980

The committee met at 10:13 a.m. in committee room No. 1.

HEINTZMAN CASE STUDY

Mr. Chairman: We have a quorum. If I could ask the members who are in the room if they would please take their seats, we might begin the proceedings today. Everyone should have the new agenda.

As you know, we have the opportunity this morning in our case-study approach to plant shutdowns to hear from two gentlemen involved with Heintzman pianos, and first, Mr. Heintzman, the president of that firm.

I just have a brief announcement. Mr. John Williams indicated to me last night that he would not be able to be here today. His wife is having an operation.

Mr. W. D. Heintzman, would you be kind enough to come and sit at the front? We are in your hands, sir. The normal procedure is that someone who has taken the time to come and speak to the committee can present a brief or make an opening statement or both. We are at your disposal, however you would like to proceed. Certainly the members of the committee would like an opportunity to learn more through questioning when you have finished the first part of your submission.

Mr. Heintzman: Mr. Chairman, naturally I appreciate the concerns of the Legislature. I thought I would prepare a brief statement to try to give some perspective to our situation. In accepting your invitation to these hearings, it seems appropriate to provide a short, historical sketch.

In 1956 Heintzman and Company Limited was moving sideways and the several shareholding members of the family decided to sell the company to one of their own, Herman Heintzman, my cousin. Herman put Ted Baker in as president to reorganize and run the company, which he did very efficiently. Herman died in 1969, Baker was replaced and the trustees of Herman's estate took over the management role.

In ensuing years, foreign companies, notably large US and Japanese companies, increased their drive into the Canadian market and Heintzman and Company Limited experienced substantial losses. The operational efficiency of the company deteriorated. By the end of 1977, the company had sold its several branch stores and its landmark eight-storey building on Yonge Street near Queen and was on the edge of bankruptcy. Concurrently, Sherlock Manning Piano Company Limited was operating with modest success in terms of increasing product quality, sales and profit.

The trustees of the Heintzman estate approached me in my role as principal shareholder and president of Sherlock Manning Piano Company Limited to propose a merger of the two companies in the hope that Heintzman and Company Limited could be saved. I was interested for two reasons: one, I did not want to witness the demise of what had been for 12 decades my family's company; two, there seemed to be a chance to restore it to efficiency and profitability.

Thus, on June 1, 1978, with the support of the Enterprise Development Board, through debt financing, a new company, Heintzman Limited, emerged out of an amalgamation of Heintzman and Company Limited and Sherlock Manning Piano Company Limited.

A number of problems became more apparent following the amalgamation. Productivity was low. Engineering, specifications and standards were in a state of disarray. A decline in product quality and distribution arrangements were undermining dealer confidence. Systems to monitor production and financial performance were inadequate. Many of the product components were bought from foreign sources, not being available in Canada, and the declining value of the Canadian dollar increased the cost of these parts. At the same time, the increasing interest rate added a serious burden to our overhead costs.

All of these factors contributed to a high-cost product trying to compete with a rising number of lower-cost products. Our continuing shortage of working capital resulted in slow payments to suppliers which, in turn, meant delayed supplies, disruption in production and delay in filling orders to our customers.

By July 1979, our financial position was again precarious and the company's bank indicated it would withdraw support unless there was further infusion of equity capital. My wife and I invested additional funds and vigorous efforts were made to improve our operations and the quality of our product.

While I believe these efforts began to show results, we failed to produce a profit and early in October 1980, under its debenture, the bank appointed a receiver to liquidate sufficient assets to repay its loan. Prior to this, in June, the company's banker asked that Peat Marwick monitor the company's receivables and payables. We had, in effect, a soft receivership.

Since last April, the shareholders and management have been trying to find other persons or companies to participate in Heintzman Limited in the hope of continuing the operation, and there continues to exist some possibility that this may occur. In the meantime, we are working with a responsible investor to make a proposal to our creditors and to continue the search for ways and means for the continued manufacture of Heintzman pianos.

That is my opening statement, Mr. Chairman.

Mr. Chairman: Thank you very much. I neglected to say so at the outset, but I know everyone on the committee understands that you responded to our invitation under very short notice. That is doubly appreciated.

We did start off our deliberations as quickly as possible, given the urgency of the topic before us. On behalf of the committee, I thank you, for that and for your opening statement.

Mr. Bradshaw, would you like to make any comments?

Mr. Bradshaw: No, not at this time.

Mr. Chairman: Then I will go to members of the committee for questions.

Mr. Ramsay: Mr. Heintzman, could you just elaborate a little bit on the setup and background of Sherlock Manning Piano Company? Did it manufacture pianos?

Mr. Heintzman: Yes, sir. Sherlock Manning Piano Company had been in business since 1934 under that name. Actually, the company had been established in the 1870s by William Doherty in the town of Clinton to make organs, and subsequently it got into the piano business, later on in the nineteenth century. Through a series of deaths and changes in ownership, the company was renamed in 1934. It was an ongoing, small, but nationally distributed manufacturer of pianos. Also, it did export to various countries within the British Commonwealth.

I left Heintzman in 1964. I became involved in Sherlock Manning in 1967 as the principal shareholder and manager, and I attempted to build up the company, if I may put it that way, in terms of product quality, productivity and profitability.

10:20 a.m.

Mr. Ramsay: Were the two companies, Heintzman and Sherlock, at one point competitors?

Mr. Heintzman: Well, they were separate companies. In that sense they were competitors, yes.

Mr. Ramsay: At the time the companies merged or you took over Heintzman, in what state was Sherlock? Was it profitable?

Mr. Heintzman: Yes. Sherlock Manning was a small company making moderate profits.

Mr. Ramsay: Is Sherlock now a nonentity?

Mr. Heintzman: In 1978, Sherlock Manning and Heintzman Company had a statutory amalgamation and the two companies became one, Heintzman Limited.

Mr. Ramsay: I would like to ask you some questions about the size of your operation and the number of employees affected. Let's start off with the number of employees you had at the time the bank moved in.

Mr. Heintzman: Of Heintzman Limited?

Mr. Ramsay: Yes.

Mr. Heintzman: The number of employees on our rolls was about 95.

Mr. Ramsay: Could you break that down into ball-park figures as to length of service? Were these long-time employees or relatively new employees? Were they skilled craftsmen?

Mr. Heintzman: Let me try to answer that first in general terms and then I may turn to my associate, Allan Bradshaw, who is the vice-president and secretary-treasurer of the company, for more detailed information.

I think the longest-term employee had been with the company some 18 years. You have to remember that the old Heintzman Company moved to Hanover in 1962 so, in effect, there was a brand new labour force created, if you like, over a period of time in Hanover. While people tend to think of the piano industry as one of craftsmen--

Mr. Ramsay: Yes, that is what I was thinking of.

Mr. Heintzman: I think that is the general concept, but in North America it is not quite that way any more. The industry, to varying degrees with different companies, has tended to try to streamline, make more efficient its production process. The craftsmen concept does not apply to the same extent that it used to, except in certain areas of piano making, towards the tail-end of the product.

I think the person with the longest service had about 18 years, and it came down to maybe a year.

Mr. Bradshaw: To follow that up: There would be about three or four employees with 15 years plus; and then it comes down to the large number of employees who are under three years.

Mr. Ramsay: Have arrangements been made as yet for severance? You indicated you are still negotiating for some sort of a rescue.

Mr. Heintzman: I guess that is a double-barrelled question. Certainly we are continuing to look for ways of somehow continuing the operation of manufacturing the Heintzman piano. I am really not at liberty to go into any detail on that at this point, because everything is rather nebulous. It involves one or two companies that have not made commitments but are looking.

As far as the arrangements for severance are concerned, I am going to ask Allan to elaborate here, but the auditors for--which commission is it?

Mr. Bradshaw: The employment standards auditing committee has been in.

Mr. Ramsay: Excuse me. The employment standards auditing committee. Are you talking about a manpower committee?

Mr. Bradshaw: Yes, that's right. They were invited in at

the time of the appointment of the receivership because we obviously wanted their inspection of our records before any severance was determined. We estimated what it would be, but we wanted their recognition of it as well.

They were in in early October, about a week after the actual receivership appointment, and they audited the books. Since then, we have been waiting for their full assessment of what they feel is the amount due. It is estimated to be in the neighbourhood of \$60,000.

Mr. Ramsay: I was not thinking so much in terms of dollars; I was just wondering what arrangements actually had been made with your employees. I suppose there is a fundamental question that I neglected to ask; that is, is the company still operating or are the employees laid off?

Mr. Heintzman: It is operating, but on a very much reduced scale. The company had a very large inventory of finished goods during most of this year, and recently, under the receivership, all of those finished goods--and I am speaking now of upright pianos--have been sold to pay the indebtedness to the bank.

What remains is a production line which is engaged in the manufacture of grand pianos. The company makes one model of grand piano. Until all these matters are resolved, it was deemed wise to continue manufacturing the grands, for which the company had a number of orders. There are some six people on that production line.

Mr. Ramsay: Mr. Heintzman, you mentioned that you and Mrs. Heintzman had put additional equity into the company. Are there any other shareholders? Is the estate still involved?

Mr. Heintzman: Yes. At the time of the amalgamation, there was a reorganization in the capital structure of the company, by which I acquired all the common or voting stock in the new company. The estate, by virtue of its investment in the old company, received a debenture for a loan that the estate had made to the old company, and preference shares. To the extent that the company failed to meet its dividend on the preferred stock recently, the holders of the preference shares--namely, the estate--had rights then as common shareholders. That is really the situation that exists today.

Mr. Ramsay: I am not trying to pry into your private matters, but so often in cases where companies close their doors for various reasons, management seems to escape scot-free, so to speak--management and/or ownership. That would not be the case, I suppose, in your circumstances.

Mr. Heintzman: I would like to think it might be the case. I have invested in Sherlock Manning, in cash, time, and a great deal of travel between Toronto and Clinton and then later in Hanover, and there is no way that I am aware of that I am going to get back my investment, the cash investment. I expect there may be some portion coming back, but certainly not--

Mr. Ramsay: Unless you are successful in arranging for new ownership or a continuation of the operation.

10:30 a.m.

Mr. Heintzman: Well, even there. Again, I am speaking hypothetically because I do not have anything solid to speak about. I think the direct and simple answer to your question is that the proprietor of the company is not walking away with his investment while the employees or the creditors, who are our suppliers and, in many cases, our friends, are suffering a loss.

Mr. Ramsay: Thank you very much, Mr. Heintzman.

Mr. Chairman: Mr. Heintzman, in your best year what were your annual sales? Do you recall roughly the number?

Mr. Heintzman: We have only had two years and, in terms of units, we sold 2,400 pianos.

Mr. Chairman: You are talking about since the new company was formed. Is that correct?

Mr. Heintzman: Yes.

Mr. Chairman: If we were to go back--we are really looking at a family firm that has operated for 100 years, are we not? You made reference to the new structure of June 1, 1978, but just to help me and maybe other members of the committee might be guided by this.

I want to simply ask a two-part question: What was your best year? I do not care if it is in units or dollar figures. Where are you now? And what went wrong? Those are the three questions I would like to ask. Where did the market change and why did it change?

Mr. Heintzman: I do not think the old company ever sold very much more than about 3,000 pianos.

You have to recognize that the company, from its inception--and I am speaking of Heintzman now--was like a lot of Germanic-founded companies that exist in North America, in that it was started by craftsmen, artisans. One of their principal aims was to build a product of high quality, and many of them have stuck by this and many have gone under; in fact, dozens in North America have gone under partly because of that.

This company until recently was successful in surviving, but only just. Certainly in the post-war years, with the exception of a brief period, the Heintzman company was not a money maker. In fact, for 30 years it lost money on the manufacture of pianos--from 1929 to 1958 actually.

Mr. Chairman: Would 1958 to 1968 have been the best decade, in your recollection?

Mr. Heintzman: In the post-war period, yes.

Mr. Chairman: I am going to require just a bit more help. During that good period then, you could look to sell something in the order of 3,000 units. Now it is something in the order of 2,400 units?

Mr. Heintzman: Last year it was more like 1,800.

Mr. Chairman: When did the market start to turn and why?

Mr. Heintzman: You are suggesting, I think, that the market turned down. I do not think the market turned down. I think our position in the market turned down for a variety of reasons, some of which I alluded to.

Mr. Chairman: What would be the primary reason?

Mr. Heintzman: I am not sure there is a primary reason. One was a latent or basic inefficiency in the company itself, which we were trying to redress. One, to some extent, was the economy, which meant that the cost of our components was rising because of the devalued Canadian dollar. Another factor was the extremely high interest rates, up to just about 20 per cent, which had not been contemplated at the time of the amalgamation of the two companies.

It was truly a combination of factors. I would hesitate to point the finger at any one as being the main cause.

Mr. Chairman: I understand. Just one last area, if I may: Your relationship with the bank over the years. I assume you had a long-standing relationship with one or more Canadian chartered banks.

Mr. Heintzman: Again, I would have to speak initially of Heintzman Limited, which is a company of some two years' duration. At the time of the amalgamation, the financing was really structured to a large extent with the involvement of the Enterprise Development Board, which is a creature of the federal Ministry of Industry, Trade and Commerce.

We talked to one or two banks to obtain an operating loan, and we ended up with one commercial bank, the Canadian Commercial and Industrial Bank out of Edmonton, which is really more of a merchant bank; it is not a depositors' bank. I would say that, given the difficult experience the company had, our relations with the bank were good. They were, of course, playing the role of banker and doing their best to safeguard their position. I must admit that we had some fairly testy sessions together, but our relations were good.

Mr. Chairman: So a quick shot of capital is not the key ingredient missing, or since 1978 or 1979 it has not been the key ingredient missing?

Mr. Heintzman: I had continued the hope for a long time in this two-year period--I should say "believe"--that what the company needed was more time and more cash. Time is cash in business.

Mr. Chairman: Do you still believe that?

Mr. Heintzman: If there were more time and the necessary cash to support the operation, I think the company could turn around, yes, but there is a lot of work to be done.

Mr. Chairman: I do not want to overdo this, but I just have a little bit of difficulty with the 1978 company. I recognize the new structure and the new company, and yet, sir, prior to 1978 you were operating in the province of Ontario, in the communities you have mentioned, and had then relationships with one or more Canadian chartered banks. These would be close to century-long relationships.

Why are you getting money from Edmonton? That is what I am curious about.

Mr. Heintzman: I do not suppose it is really money from Edmonton. It is a bank that happens to have its headquarters in Edmonton. We went to the Royal Bank first.

Mr. Chairman: That has been your traditional banker?

Mr. Heintzman: It had been the banker for Sherlock Manning, so we first approached them for a line of credit for the new company, but we could not come to terms. Someone suggested the CCIB and we were able to work out what seemed to be mutually agreeable terms, so we have been with them ever since.

Heintzman, the old company, had a long-standing relationship with the Toronto-Dominion Bank prior to the amalgamation, and because the company was getting into serious difficulty that bank was saying: "Look, we have to stop this loss situation. We will have to withdraw support." That is what led to the amalgamation. I guess really there are three banks involved.

Mr. Chairman: If you could go back to that period prior to 1978, had you been able to come to a different arrangement with that bank, the Toronto-Dominion Bank, would those two ingredients, time and money, have been as critical then? Might you, with a different arrangement with the bank prior to 1978, have been able to make it, in your judgement?

Mr. Heintzman: Are these hearings public?

Mr. Chairman: Yes. Some of my best friends are bankers too.

Mr. Heintzman: You see, you are asking me to speak about a situation in which I was not involved. I was not a part of the Heintzman company after October 1964, and so I am not privy, in detail, to what the management did or did not do. It was their relationship with the bank that deteriorated.

Mr. Chairman: There is nothing sinister in my line of questioning.

Mr. Martel: You could start a family feud.

Mr. Heintzman: It has happened before.

10:40 a.m.

Mr. Chairman: I just sometimes wonder out loud, publicly, privately, about the relationship between the Canadian lending institutions, Canadian corporations in Canadian communities. I often wonder to what extent that necessary part of the equation, capital, is made available through the traditional lending institutions, because after a few years in this place, you get the impression that people only come to the Ontario Development Corporation or the Northeastern Ontario Development Corporation or the employment development fund for money. I am aware of the existence of Canadian chartered banks in our community and I am just often curious what kind of role they play in difficult situations.

Mr. Heintzman: I would like to make one general observation. A chartered bank, like any other business, is in business to perform a service or provide a product out of which they expect to make a profit. If they see that position being endangered with one of their customers, they are going to take steps to correct it.

We have the same relationship with our customers. If one is not paying his bills, or is doing things in a way that we think is detrimental to the good name of our company, then we try to take some steps.

Mr. Cureatz: I am sorry, Mr. Heintzman, I am chairing another committee and I would like to stay longer here with you. You mentioned in terms of quality that the company has over the years produced a product which I firmly believe is second to none in the piano field, and yet it seems to be the downfall in some cases, and maybe in this particular case, in terms of other products that have been marketed in the sales of pianos which do not meet what you would feel are quality standards but certainly meets the price aspect of the consumer. Would that play a role?

I am just trying to get to you amplify. You made that comment in terms of quality of a product; that is, the cost of producing a fine product has placed a heavy burden in terms of the marketplace, where you can go and find another kind of piano for \$600 or \$1,000. The parents have the piano sitting in the living room, and their children take lessons for four or five years and that is it; as opposed to getting a product from your organization, at a cost of \$3,000 or \$4,000 for an upright, and possibly more, and yet it is in the living room and the children are taking lessons for two or three years and that is the end of it.

Mr. Heintzman: I am sorry, I am not quite sure what the thrust is.

Mr. Cureatz: As a member of the committee which has to come up with a report, I am trying to get a feel from the various organizations and companies that come on how you draw the line; how far do you go with quality, as much as we strive for that,

because of the marketplace. I got from you that quality was the key, and yet it unfortunately seems to have been a detriment in terms of sales--the cost factor.

Mr. Heintzman: Certainly the pursuit of the goal of producing what I perceive to be a product of high quality no doubt played a role in the fortunes or misfortunes of this company, and to that extent I suppose contributed to its present situation or condition.

There are other elements in the operation of a company, such as marketing, and that embraces quite a variety of efforts and avenues that had to be addressed, and we were in the process of addressing them to try to improve them. A lot of these stemmed from practices which had been place more or less for the preceding years.

I guess what I am saying boils down, to some extent, to the fact that we have a vehicle here that is running on three instead of four cylinders, and we were trying to fix up one cylinder. We did not get enough done in time to make the vehicle run and keep running.

Mr. Cureatz: So I gather from your comment that, notwithstanding the cost of a very fine product, if that fourth cylinder was operating full tilt, instead of just three, that the company could have continued on producing a very fine quality at the price demanded.

Mr. Heintzman: I think there is a market, I do not know how big it is, for a product that carries the price tag that ours does.

Mr. Cureatz: What was the range of price?

Mr. Heintzman: The retail range was roughly \$3,000 to \$4,000 for the upright.

Mr. Cureatz: And for the grands?

Mr. Heintzman: The grand pianos were \$12,500. One dealer in particular contacted me quite recently. He had bought quite a few pianos quite recently and he was selling off his inventory. He called to say he had sold them all at full price, and he said, "I hope you can continue because in my town there is no question that we can sell this product at these prices." That is very nice to hear, but it did not help much, if you were not making money, to produce that product and be able to sell it at that price.

What I am saying is I still think that given more time to do more of the engineering improvements that we need, more of the marketing improvements that we need, we might have got the company in a position where we could have sold the pianos at those prices, at least to break even and, I hope, make a profit.

Mr. Martel: I want to go back to the banking interests. Risk capital has been something that banks have not been wont to lend anyone. Having spent four years on a committee looking into

economic nationalism, and having interviewed during those four years many, many Canadian firms, the committee concluded that Canadian banks were more ready to lend money to American companies than they were to lend money to Canadian firms. We came to the conclusion that much of the problem that surrounded the whole concept of the branch plant economy, where the Canadian industry has to see out to an American firm, that the same banks, who would not lend money to the Canadian firm, were prepared to lend it to the American firm buying them out.

This committee sat from 1971 to 1975. We had some bankers before us, and there is an entire report on venture capital, risk capital and so on. The real problem was that they just were not prepared to lay out the capital as readily to Canadian firms, to get them either established or re-established on a firmer footing. They were not prepared to take that risk. Yet they are probably the people most protected in the world by government legislation.

Mr. Heintzman: Are you looking for a reply?

Mr. Martel: Yes. I am looking to you to see if you have found in your experience, not only dealing with several banks, but with some of your confreres in business, whether or not that still prevails today.

10:50 a.m.

Mr. Heintzman: I am not a banker and I am not an accountant. My perception of the Canadian bank, I guess, is somewhat as you have just described. I do not see them as risk takers in a broad sense. I think they take a risk every time they make a loan, but they try--I hope I don't sound like an apologist for the banks, that is not my purpose; I am just trying to look at both sides of the coin--they try to place money in the hands of a business enterprise that needs some working capital and has been able to demonstrate, on paper, at least, if not from some years of previous experience, that it is a successful operation.

I guess if I were a banker operating under the laws under which the banks in this country operate, I would probably be doing much the same thing.

I think the function of a bank in this country is probably different from that of an entrepreneur who sets up to provide a product or a service to the community. He is the real risk taker, in my view, and he is putting whatever he has to put, whether it is money, time, knowledge or experience, on the line in the expectation that this will bring something back to him. The bank and its resources is more of a tool, more of a machine.

Mr. Martel: But if one sees the bank protected to the degree they are protected, one would think that they should get involved in some venture capital to a larger extent than they are doing at present.

Mr. Heintzman: That could be, but--

Mr. Martel: It might be the salvation of some Canadian

firms if they got involved to some degree in the proper development of this country. They have all the benefits of all the protection of all the federal legislation. I guess when all the presidents of the banks are in the Senate writing banking law, you can write it pretty well to protect your backside, and they have done it well.

Let me ask a couple of questions then very quickly. You said in your opening remarks that when the two companies came together it was "a state of disarray." I copied it down.

Mr. Heintzman: I thought I saw you writing something.

Mr. Martel: Can you elaborate a little on this state of disarray?

Mr. Heintzman: Here again I am commenting on something that, to my mind, occurred in the years prior to the amalgamation. In a general way the systems that are set up in any company to try and organize its day-to-day business in my view were not very efficient.

That really touches, I guess, all areas of this particular enterprise in terms of the kind of classifications they have laid down for the actual product in terms of design, material climates, material costs, labour standards, labour costs, production scheduling and checks on all those things; relationships with the customers, accounts receivable, accounts payable. Those are the things I was referring to.

Particularly in the last year, that is, from June 1, 1979, to May 31, 1980, with the help of Peat Marwick, the company had to address and correct a lot of these situations. And we were making progress, but again, not enough soon enough.

Mr. Martel: Mr. Chairman, I have to go for a few minutes. Could I get a few questions in when I get back? I will not be away for longer than about 15 minutes. I just have to go.

Mr. O'Neil: Mr. Heintzman, you mentioned that in 1962 the company moved to Hanover

Mr. Heintzman: The Heintzman Company, yes.

Mr. O'Neil: Where were you located prior to that?

Mr. Heintzman: The manufacturing plant of Heintzman was in west Toronto.

Mr. O'Neil: What were the reasons that made you move to Hanover?

Mr. Heintzman: We were looking for a more efficient manufacturing facility. The company first established manufacturing in Toronto on King Street and as the company grew, it established a plant in west Toronto, at Keele and Dundas, and added, I think, two additions within seven years, the last having been added prior to the First World War, long before I became

active in the business. It was a relatively large five-storey building in a U-shape, with elevators. The materials handling and people travelling situation in such a building was quite inefficient in terms of the developing costs of operating a manufacturing business.

Also we had come to the conclusion that we should be buying a lot of our wood components from larger producers of light materials simply because they had more up-to-date, more efficient machinery than we did. We had started buying some of these components from other companies, such as, Casavant Freres in Quebec, who make, as some of you may know, a first class pipe organ. We also started buying from, notably, Peppler Furniture Company in Hanover. We formed, in the late 1950s and early 1960s, quite a relationship with Peppler. When we started thinking about trimming our operation--

Mr. O'Neil: When you say "trimming," what do you mean, employees too?

Mr. Heintzman: Eliminating the mill operation for one thing, and the large area needed for the lumber storage and drying of lumber, that kind of thing.

Peppler and the mayor of Hanover, who happened to be an employee of Peppler--I guess he still is--suggested that we look at Hanover. We were looking at a number of communities. In any event, we did settle in Hanover on a piece of land. We did design a production flow based on a newer concept that was extremely efficient. Once we had stabilized this concept of production flow, we then called in a contractor and asked him to put up four walls around by that requirement.

Mr. G. Taylor: May I have a supplementary? You said you had your conversations with people at Peppler.

Mr. Heintzman: Yes.

Mr. G. Taylor: In arriving at your conclusions, did you receive any form of provincial or federal government assistance, or even municipal assistance in the way of the usual monetary programs to make you come to that decision more quickly? Or did you do it entirely on your own economic forces?

Mr. Heintzman: I cannot speak with full knowledge to that question, but to the best of my knowledge, the only concession, and I am not even certain of this, was that the town was keen on attracting industry and there may have been some kind of a property tax allowance. But as far as I know, that is the only concession.

Mr. G. Taylor: Could you possibly find out that information, such as did you get a DREE grant, an Ontario Development Corporation grant, or tax incentives on machinery, or anything of that nature?

Mr. Heintzman: No. I am certain there was nothing. In fact, I do not think DREE was even in existence then, was it?

Mr. G. Taylor: In 1962, probably not, but they usually put out a new euphemism or a new acronym on an old program.

Mr. Heintzman: Yes. I am not aware of any of those forms of assistance.

11 a.m.

Mr. O'Neil: When you were located in Toronto, how many employees would you have had at the plant when you closed it here?

Mr. Heintzman: About 90. In my time there, which dated from October 1945 until we left, I think we had something in the neighbourhood of as many as 90 employees.

Mr. O'Neil: When you moved to Hanover, how many would you have had in the plant there?

Mr. Heintzman: Four people moved with us.

Mr. O'Neil: Only four people came with you from the city of Toronto.

What sort of severance arrangements were made with the people you left behind in Toronto?

Mr. Heintzman: I do not think I could answer that question.

Mr. O'Neil: Would there be anybody who could?

When Mr. Taylor asked whether you had had any government assistance, either federal or provincial, was your role in the company at this particular time sort of a passive role? Were there other people managing the company at that time?

Mr. Heintzman: My function was to be in charge of manufacturing.

Mr. O'Neil: Who would have been in charge of the operation of the plant? Who was doing the day-to-day management of the company?

Mr. Heintzman: A chap named Baker who I mentioned earlier was the president of the company at that time.

Mr. O'Neil: Would Mr. Baker have had controlling interest at that time? In other words, had you sold out controlling interest to individuals or other people?

Mr. Heintzman: As I mentioned, the several shareholding members of the family had sold their shares to one member of the family, who immediately put Baker in as president, to run the company. A lot of those kinds of things you are asking about were really under his direction.

I really do not recall what specific arrangements were made. I know that up until the time of the recent receivership, the

company had been making very modest, what you might call, supplementary pension payments to former employees who had been with the company in west Toronto.

Mr. O'Neil: When you moved to Hanover, was the control of the company at that time still under this Mr. Baker?

Mr. Heintzman: Under his direction.

Mr. O'Neil: But which member of the Heintzman family was the person in actual control of the company?

Mr. Heintzman: The owner was Herman Heintzman.

Mr. O'Neil: Is he still involved in the company?

Mr. Heintzman: No, he died in 1969.

Mr. O'Neil: You mentioned you left Heintzman in 1964. Why was that? Was that your decision to go to this company?

Mr. Heintzman: No, that was purely a personal decision based on differing philosophies between myself and the management of the company.

Mr. O'Neil: So at that time you went with Sherlock Manning?

Mr. Heintzman: No, I didn't. I didn't go to Sherlock Manning until nearly three years later.

Mr. O'Neil: You mentioned a profit over the years. Is there any way of obtaining that information as to what profit was made, say, over the last 10 or 15 years by the Heintzman Company and by Sherlock Manning?

Mr. Heintzman: Yes, I think we could dig that out.

Mr. O'Neil: Could you tell me who owns Sherlock Manning, who controls that company?

Mr. Heintzman: There is no Sherlock Manning. The company ceased to exist at the time of the amalgamation.

Mr. O'Neil: Then, how did the directors or the management or the ownership change with Sherlock Manning? In other words, at that time who owned Sherlock Manning?

Mr. Heintzman: I owned the controlling interest in Sherlock Manning and the minority shareholders were two other individuals who worked with the company. At the time of amalgamation, with their agreement, their share was, in effect, bought out.

Mr. O'Neil: What you are telling me, then, is you left Heintzman in 1964 because of some disagreements, but actually you

rebought the company yourself with this other company that you owned.

Mr. Heintzman: I left Heintzman in 1964 and invested in Sherlock Manning in 1967. Then 11 years later, roughly, Sherlock Manning and Heintzman came together in amalgamation, to use rather simpler terms. It was a process by which the two came together but the effect of it was, to use a legal term, there was a statutory amalgamation of the two companies, the purpose of which was to make an effort to save an old company that was all but dead.

Mr. O'Neil: Was there quite a sizeable purchase price when Sherlock Manning purchased Heintzman?

Mr. Heintzman: There was no exchange of--maybe I will ask our auditor to perhaps speak to that, Mr. Owen Carter.

Mr. O'Neil: It seems a little confusing to me.

Mr. Carter: Actually what happened, in effect, was that Sherlock Manning Limited purchased the common shares of Heintzman and Company Limited and then the two companies did a statutory amalgamation and the new name was Heintzman Limited. So you are right that Sherlock Manning Limited obtained control of Heintzman Limited and, in effect, the result was that the common shareholders of Heintzman and Company Limited received preference shares of the new company and Mr. Heintzman got common shares of the new company.

Mr. O'Neil: Was this supposed to be in the way of a rescue situation?

Mr. Carter: Absolutely. There were, I think, a number of other reasons, one of which was that Sherlock Manning was doing reasonably well but could not keep up with the demand for the product and it was felt that not only would it be a rescue of Heintzman Limited but it would also enable them to produce Sherlock Manning pianos in sufficient quantities to meet the market.

Mr. Heintzman: May I make one point? It has just been pointed out to me that it is perceived that you perhaps have the idea that I controlled Heintzman and Company, the old company. I was a minority shareholder in the old company, along with a number of relatives.

Mr. O'Neil: Where was Sherlock Manning set up prior to you buying Heintzman, or amalgamating?

Mr. Heintzman: This operation was in Clinton.

Mr. O'Neil: How big a factory did you have in Clinton?

Mr. Heintzman: The area was 48,000 feet, it was a two-storey building.

Mr. O'Neil: Did you close that plant down or did it continue to operate along with the Heintzman plant in Hanover?

Mr. Heintzman: The intention all along, in conceiving of the amalgamation, was to transfer the manufacture of pianos from Clinton to the Hanover plant which, as a physical layout, was a more efficient situation. The Clinton plant continued to operate following amalgamation in June, until some time in November when the piano-making operations moved up to Hanover. Then the two former minority shareholders in Sherlock Manning, along with the former general manager who was not a shareholder, decided that they wanted to continue operating some kind of a woodworking business in those premises. So Heintzman Limited, which up until that point owned those premises in Clinton, sold them to those three individuals.

Mr. O'Neil: What have you done or what you intend to do for the company employees you have laid off?

Mr. Heintzman: That situation is unclear at the moment. We do not have any money to do anything about them at the present time. Can you speak to that?

Mr. Bradshaw: The employees, as I mentioned earlier, have been considered since that point simply as what legally, according to the Employment Standards Act, is their rightful due and so the actual termination allotment or availability to them has been determined, and the receiver has it in hand, at least from the receiver's point of view, and we are waiting for the full assessment to come through from the auditor and his group that were with him.

11:10 a.m.

Aside from that, vacation pay has been determined, and that payment also will be made as soon as there is an assessment made by the auditing group. Mind you, the vacation pay that has been their entitlement to June 30, 1980, has been paid to them and so really it is those who are current employees, of which we have about 10, who are still entitled to some payment and that will be paid to them if and when there is a closure.

Mr. O'Neil: You don't seem quite clear on what group this is; whether it is federal or provincial, or who it is that you have had--

Mr. Bradshaw: That is provincial.

Mr. O'Neil: Provincial people?

Mr. Bradshaw: Yes.

Mr. O'Neil: In other words, the employees will get whatever they are entitled to by law, but that is all. There is no special--

Mr. Bradshaw: There are no special arrangements made; you are correct in saying that. The normal procedure will be followed when it has been fully determined what they are entitled to.

Mr. O'Neil: When the company is wound down, what about assets and everything else? What sort of a picture do you paint when things are closed down?

Mr. Bradshaw: If it comes to that point, then it would appear unlikely that any funds would be available, or very reduced funds would be available to unsecured creditors.

Mr. Mackenzie: Mr. Heintzman, there are just three or four questions that I have. I would like to know first what level of skills was available to you in terms of the work force that you had in the plant; if you had the expertise, if it was a high level of skill, if there was a competent work force available either individually or collectively.

Mr. Heintzman: As I indicated earlier, there have been a number of changes in the industry in the last several years. There were throughout the plant some individuals with what might be termed a good degree of competence in their particular field, certain machine operators which are really part of the mill room that is common to lots of woodworking and furniture manufacturing plants. We had a finishing operation, which applies the colour and protective coating to the cabinets, and in there, let us say of a group of 20 people there were a number who were considered to be competent operators.

Then in what we term the assembly line, which is the point where the piano begins to take shape as a musical instrument, again there were a few people were not only experienced but competent. The rest of the employee group, I think for a variety of reasons, were not as skilled as one would wish. That is not to say that they could not have become skilled.

I am trying to be careful of what I say because I don't want to give personal offence to that group of men and women. I think there was a high degree of employee support and enthusiasm, and we had embarked on a modest program of training which we had hoped to enlarge upon because it was needed.

Mr. Mackenzie: I sense from your answer that you had the necessary expertise in terms of the skills or the artisans, but that you had a less than satisfactory production facility. Is that inaccurate?

Mr. Heintzman: I think about the effect of my answer.

Mr. Mackenzie: That is what I want to have clear in my mind. Was your personnel operation up to snuff with anything you know about the industry or competitors?

Mr. Heintzman: No, I do not think it was. I don't mean to compare with the industry; I am just speaking in terms of the kind of job that was done in contrast with the kind of job that I would like to have seen done. I would not, for example, say that everybody in the plant was competent in the sense that everything they did was in accordance with the way it should have been.

Mr. Mackenzie: I think that applies in any plant.

Mr. Heintzman: I am qualifying that by saying in defence of the employees that the specifications and the supervision was not up to snuff either. Had all these things been in place, I think we would have had a more efficient operation.

Mr. Ramsay: Could I have a supplementary? What was your salary scale, the hourly-rated scale ranges?

Mr. Heintzman: On a yearly basis it was about \$14,000.

Mr. Ramsay: Were there not those making more and those making less?

Mr. Heintzman: The very new people started off at a comparatively lower rate, but by the terms of the agreement with the union they escalated quite quickly if they stayed on.

Mr. Ramsay: So \$14,000 was a mid-range, an average, or was it the top salary?

Mr. Bradshaw: The range in the current contract, which expired September 30, would be from \$6 an hour and \$6.30, so we are talking \$12,000 to \$14,000.

Mr. Ramsay: Just one quick question, Mr. Mackenzie. Did the women and men get the same dollar for the same work?

Mr. Bradshaw: Yes, that was certainly available to them, but by the nature of some of the employment, some of the tasks, they fitted into certain areas.

Mr. Ramsay: I mean if there is a man and a woman doing exactly the same work, did they get the same salary?

Mr. Bradshaw: Equal salary, yes.

Mr. Mackenzie: One of the comments, and one of the perceptions too, and you obviously have just said that it is not wrong, one of the things that came out in your earlier comments was that you certainly had some management or managerial problems or deficiencies in the plant as well.

To what extent do you think your problem lies with the problems you had in regard to management or supervision? Did this problem rate, for example, with your problems with high interest rates?

Mr. Heintzman: It was certainly one of the problems in the total picture.

Mr. Mackenzie: When you say the wage rate was \$6 to \$6.30, was it that confined? Is that pretty well the wage rate that existed in the plant?

Mr. Bradshaw: Yes, very close to that; from just under \$6 up to around \$6. The fringe, of course, was an additional factor.

Mr. Mackenzie: That was the next question. How did the fringe benefits rate either with plants generally in Ontario or in your area? Did you have full OHIP coverage?

Mr. Bradshaw: They were certainly competitive with the area.

Mr. Mackenzie: But not very strong on pension?

Mr. Bradshaw: No, the pension was probably the weakest area.

11:20 a.m.

Mr. Mackenzie: Did you cover OHIP payments, for example?

Mr. Bradshaw: Yes; 100 per cent.

Mr. Mackenzie: I suppose this relates to the first question I asked. What were your productivity levels? When you say that both in management and in personnel, you could have used additional skills, did this affect your ability to produce in quantity as well as quality?

Mr. Heintzman: Let me give you an answer to illustrate the point. We were looked at by an American manufacturer which, of a handful of companies in the same industry in the States, among the very successful with a broad range of product, upright and grand pianos and organs. They were very interested in allying themselves with our company because, among other things, they recognized that if they did somehow participate or take it over, one of the principal assets they would be acquiring is the name.

Mr. Mackenzie: That is exactly what I was going to ask you.

Mr. Heintzman: It is difficult for me to say it because I happen to wear it, but nevertheless in the industry it is recognized as a plus, even though it has been through some difficult times.

But the thing that turned the American prospect off was our low productivity. They cited some examples that indicated we were very far apart in the hours to do a certain range of jobs compared with their own. This may sound as if I am pointing at a group of workers and saying, "You're just not performing," but it is not that at all. It is just the net effect of what hours went into a certain operation because engineering, planning and techniques on the production were sufficiently inadequate in our plant compared to their plant. They felt that would be a real problem to overcome.

Mr. Mackenzie: Tell me how that could be. I have some difficulty in accepting that because you have told us earlier that one of the things about the plant is simply that when you moved to a new location, you did a flow chart arrangement. I presume that was done in terms of an efficient operation and that you in effect threw the four walls up around the planned production operation.

Mr. Heintzman: I am glad you asked that question because the operation in 1962, 1963 and 1964 was very efficient, but that is not 1978, 1978 and 1980. A lot of changes took place in the intervening years; changes in ownership, changes in management, changes in personnel. The elements that went into making that an efficient operation in 1962 for the most part were gone in 1978.

Mr. Mackenzie: What specific elements? Are you now talking about personnel, management, workers? What are you talking about? You have a new facility and it is designed for proper production runs.

Mr. Heintzman: That's right; it was. But a lot of the procedures and data that had been set up for that efficient operation were no longer being used; they were in fact no longer in existence.

Mr. Mackenzie: Wouldn't that point more to management problems or supervisory problems?

Mr. Heintzman: Sure, yes.

Mr. G. Taylor: Were your other competitors running faster, too, with more modern machinery?

Mr. Mackenzie: That's not a supplementary, I don't think, Mr. Chairman.

Mr. G. Taylor: The chairman isn't here. You're working without a chairman, Bob.

Mr. Mackenzie: I think we should stop the session for a few minutes until we have our chairman back.

The committee took a short recess.

On resumption:

Mr. G. Taylor: Mr. Chairman, in your absence, Mr. Mackenzie and I were discussing whether I had a right of supplementary in the--we were down to such a small forum here, we could not even adjourn the committee, with some disagreement, without a chairman or other colleagues before these witnesses.

I think in some respects--I do not know how to characterize it--we are not showing great respect as committee members to the witnesses we have before us because of the diminished number of members we have at present. So I would hope then, Mr. Chairman, that you would bring to the attention of our colleagues that when we have witnesses that--

Mr. Chairman: Do you have a supplementary?

Mr. G. Taylor: I did have a supplementary. I do not know whether Mr. Mackenzie--

Mr. Mackenzie: Go ahead.

Mr. G. Taylor: He was asking questions on the machinery and equipment of the production situation after the company having moved there in 1962. My supplementary was whether or not other companies had increased their machinery in efficiency over and above that which was there in 1962 and had become somewhat obsolete in 1978. Mr. Mackenzie did not think that was a flowing supplementary from the earlier material. That is how we discovered we did not have a chairman here when we asked for a ruling.

Mr. Chairman: Certainly it is these major issues which keep us all on our toes.

Mr. Mackenzie: (Inaudible) insult to the witnesses and the fact of what has happened in this committee, Mr. Chairman, including leaving it totally without a chairman for a period, or anybody designated.

Mr. Chairman: Let the record be clear the chairman went to the washroom.

Mr. Heintzman: The witness does not feel offended. I sometimes have to go to the washroom too.

Mr. Mackenzie: If Mr. Taylor wishes to proceed with the supplementary it is all right with me.

Mr. G. Taylor: I have a supplementary, very briefly. Had other people in the industry improved their equipment to a five-year expansion? You had given that you had put new equipment in there in the 1960s.

Mr. Heintzman: I think the equipment improvement, and this relates to woodworking machines, jigs and patterns, which, in our industry, are made largely by inplant resources devised and developed by the people in the company--that is an ongoing process.

11:30 a.m.

To some extent I feel that process had stopped some years ago, prior to the amalgamation. This is one of the areas I was alluding to earlier, without wishing to seem to be taking the position of criticizing the former management, which is rather a thin line to walk.

Maybe I should elaborate a little bit. Heintzman and Company Limited, prior to the amalgamation, had lost an awful lot of money through its--well, it had lost a lot of money. In its last year of operation it was just under \$1 million. The amalgamation was inheriting a very sick relative, if I can put it that way, which rightly or wrongly, foolishly or wisely, we had thought we could put to rights.

As far as the equipment is concerned, in our mill by and large the equipment was quite good. In our assembly operations there were a number of jigs and patterns. Some left over from earlier days. Some had been allowed to deteriorate, some which needed to be replaced. Improvisations needed to be done. So we were in the process in the last year of operation of trying to

bring this about. How efficient some of these devices were, in contrast to other plants, is very hard for me to say.

In North America, most of the manufacturers are producing at least 10 times the number of units we are. I think we can all appreciate this kind of a domestic market (inaudible) as it were, you can do a lot of things for volume production that is relatively difficult to do in a smaller operation, which leads to high costs.

Mr. Mackenzie: You said that the American firms which would look at your operation with the possibility of buying it largely because of the name, the credibility which went with the name as a quality product, were turned off simply because your production, I guess your unit runs did not come anywhere near what they could produce and that scared them.

Was that essentially because of the equipment in the plant or the inefficient operation of the plant, or the work force? Is it a combination or can you assess any blame?

Mr. Heintzman: I do not think I can really answer that in detail. They looked at our situation and they did not single out the equipment as being the problem. It was not mentioned really. But they did make the point, as I mentioned earlier, that they could do a lot more than we were doing in a lot less time, hence their cost (inaudible) and it did not involve all these elements.

Mr. Mackenzie: Did I understand you to say that you really were not making any money? You mentioned one dealer who was pleased to sell your products in his area and everything you supplied him with. But in the \$3,000 or \$4,000 range, and I think you said \$12,000 or \$12,500, did I understand you to say that it really did not matter if you were not making a fair return at that price range?

Mr. Heintzman: No. If you understood that, you misunderstood me. All I said was he could sell the product at the suggested list price and he was very happy to do so and felt that even though it was more expensive than most other pianos in the marketplace, most of them, we, on the other hand, were not making money at this price. That is the manufacturer.

Mr. Mackenzie: So it was not the unit price that was causing you the problems really. If you had a proper production run at that price you could have made money.

He is making money selling it. You are telling me you are not making money.

Mr. Heintzman: Yes.

Mr. Mackenzie: What I am trying to get at is why. Was your price too low, just the inefficiency of the run or what?

Mr. Heintzman: Our wholesale selling price was certainly too low in relation to our financial result. On the other hand, if

we simply said we are losing X dollars, we have got to increase our price by the number of units produced, you have got a pretty serious risk of selling fewer pianos.

Mr. Mackenzie: Could you have met with the facilities which were there if you could overcome some of your management problems--could you have met an expanded order? You were down, as you said, in the last year to what?

Mr. Heintzman: About 1,800.

Mr. Mackenzie: About 1,800. Could you have continued to supply 3,000 units or better if you had the orders for them?

Mr. Heintzman: The capability to manufacture them was there.

Mr. Mackenzie: So the capability was there, as you see it, for supplying the market or an expanded market.

Mr. Heintzman: Yes.

Mr. Mackenzie: Is there, in your opinion, to your knowledge of the industry, a viable market in Canada in terms of volume of sales? In other words, do we sell that many or can we sell the number of pianos which are in Canada to--how many other manufacturers in Canada do we have?

Mr. Heintzman: One.

Mr. Mackenzie: One. Is there a Canadian market?

Mr. Heintzman: There is a Canadian market. It is small. That market has probably been gently expanded, obviously expanded, in the last few years, I would say, by the aggressive marketing of some of the foreign and American companies, notably from the US into Canada.

Mr. Mackenzie: The growth has been in the imports or the out-of-country suppliers. Did you, yourself, ever attempt in your operation to diversify to either a cheaper line or other types of instruments which might have sold?

Mr. Heintzman: Yes, we did on a number of occasions. Because of the results, we decided to go back to the position where we felt we should be, the position where the company had, years ago, made its reputation, that is, in the manufacture of a first class, high quality product, and try and capture, if you like, that market to the extent we were able.

Mr. Mackenzie: Are you not trying to capitalize on your name and get back into a more (inaudible)?

Mr. Heintzman: Capitalize and trying to live up to it.

Mr. Mackenzie: Can the industry survive in Canada as a simple assembly operation? Does it have to survive as an assembly operation? Or is there room for more internal manufacture of the

goods or the pieces and parts which go into the assembly?

Mr. Heintzman: We had really reduced the scope of the manufacturing operation.

Mr. Mackenzie: I gathered that it was largely an assembly operation.

Mr. Heintzman: Largely. I think that is the way to go in this country. The larger we perceived the market to be, and hence the volume, the tendency is then to do more of the operations in your own plant or with your own facilities.

To go to the other end of the spectrum, I could cite one company in Japan and one or two in the US where they, for example, have their own foundry to make the iron castings for the piano plates, because they are a fairly major item. They make their own hammers. They make their own base plates and their own actions and keys. We are not able to do any of that.

Mr. Mackenzie: Where do you get your base plates from?

Mr. Heintzman: The plates, for the last several years have come from the United States. Things like sound boards come from the United States. The hammers come from England. Tuning plates come from Japan. These are made by just a very few plants; I think one in the States, one or two Japan; there is one in England. The sources of materials for Canada are not particularly broad.

11:40 a.m.

Mr. Mackenzie: But most of these particular parts that go into the piano, as you say, are coming from the United States, Japan--

Mr. Heintzman: Offshore.

Mr. Mackenzie: Is there a difficulty? Do they require skills or equipment that might not be available here in this country?

Mr. Heintzman: Up until a few years ago there were two companies making actions and keys, one in Toronto and one in Belleville. But the last one shut down maybe 10 years ago. There was one company which made cast plates for the industry, but it shut down its piano plate making operation about five years ago. There was not enough business.

Mr. Mackenzie: So even if you survive, you are going to be in a position where most of the parts are going to be imported and many of them from offshore. We don't have a potentially viable Canadian industry.

Mr. Heintzman: There used to be a company serving us, with something like 30 piano manufacturers in Canada. They are down to one and a bit now.

Mr. Mackenzie: That is the backup for the question I had asked earlier. Is there a viable potential here in Canada?

Mr. Heintzman: For the manufactured piano? Yes, I think so.

Mr. Mackenzie: Obviously I misread you on a couple of other things. You indicated at some point in your testimony that the firm had been losing money over a number of years; that it was not all a profit picture by any means. Did you put in a number of years to that or add a figure to that?

Mr. Heintzman: I did say at one point that the old Heintzman company had a manufacturing operation and lost money from about 1929 through till 1958, I think it was.

Mr. Mackenzie: I thought you said 20 or 30 years. Why would you continue operating if you were losing money over that period of time?

Mr. Heintzman: In the old company, with the manufacture of pianos, they would wholesale them to independent dealers across the country. They had developed in better days, and that was with its own branch stores, which it owned, and those stores, in addition to selling pianos, bought for resale items such as organs, records and so on, rather as a music business, as it were, to supplement its retail operation. For a good many of those years it broke even at the retail level, but just at the borderline.

Mr. Mackenzie: Are you telling me that the retail outlets--and I was going to ask you next your rationale for closing them down--were in effect carrying the company?

Mr. Heintzman: I suppose in a sense they were helping to. The other element that was keeping the company alive was that from former and better years the company had an earned surplus and a lot of cash was invested in securities.

Mr. Mackenzie: So you were drawing on your investments.

Mr. Heintzman: I ought to say the company was living on its fat.

Mr. Mackenzie: What was the rationale for closing down your outlets across the country, (inaudible) firm agreements with some of the major chains should obviously give you some problems in terms of (inaudible)

Mr. Heintzman: We are now talking of an era when I was not associated with the company. It was between 1964 and 1978 that this happened. The retail stores which the company was operating, I have to believe were losing money. The company, as a whole, was losing, relative to its size, quantities of money. The then management, I assume, decided they would stem the flow of blood by stopping this operation, disposing of it in the same way it disposed of its building on Yonge Street, the one that I have referred to.

Mr. Mackenzie: I do not know the trade or the industry, so I guess I am asking a question I have asked earlier. Do you have any particular artisans or highly skilled people in the manufacture of pianos?

Mr. Heintzman: Do you mean, are they required, or do we have them?

Mr. Mackenzie: Do you have them? Is it a trade where that is of some value? Do you have them in your operation?

Mr. Heintzman: We have had in Hanover, speaking only now of the last couple of years, relatively speaking, a handful of people whom I would consider to be really first class, knowledgeable artisans, which really is in contrast with the situation that pertained through the years when the company was in Toronto.

Mr. Mackenzie: Are you saying that there you had a much larger group of skilled--

Mr. Heintzman: Yes.

Mr. Mackenzie: What makes you think, given a little bit more time, that you could have turned the existing situation around? You have outlined what sounds like a pretty devastating condemnation of some of the practices in management and otherwise in the plant.

Mr. Heintzman: I suppose an inherent sense of optimism, which is one's nature, I guess, mixed with perhaps a degree of foolhardiness, and also with a degree of experience which had been applied in west Toronto in streamlining the operation there so that it did become profitable; mixed with another experience which pertained when Clinton applied some rather simple basic engineering practices to the operation to make them more efficient. It was the hope and the intention to apply these elements to this operation and get it back on the rails.

Mr. Mackenzie: I still have some difficulty with one of your answers, and that is how an operation that was designed in Hanover and built to allow for an efficient production flow could have become so screwed up and disorganized that the new plant, which was new even from Toronto, was not able to produce a more efficient operation.

Mr. Heintzman: I guess I don't know the answer to that question either. I wish I did.

Mr. Mackenzie: The last question I have then is, as a layman on the outside, the name is just about everything to me. There is an old Heintzman sitting in my family room which my daughter can just barely tinkle out a few tunes on, she has not really taken lessons. It seems to me it was a name with some credibility and respect in the country.

To what extent has that name lost credibility with what has

happened, or is that still potentially the most valuable asset you have?f

Mr. Heintzman: It certainly is perceived by myself and others, outsiders and insiders, to be a valuable asset, given the circumstances that would allow it to carry on in business. I think within the industry, that is, people who were servicing pianos and people who were retailing them, that image has been tarnished over the past few years.

Mr. Mackenzie: That affects your bargaining power in terms of working out something or selling within the industry. The name in public is still credible is what you are saying.

Mr. Heintzman: I think it has credibility with the public. I think it is appropriate to point out that the public we are talking about now is not as well acquainted with the name because of the influx of people from other areas. It is not an international company.

Mr. Mackenzie: You listed imports, high interest--I think competition; I am not sure--questionable management, as all part of your problems. Do you see any of them as rating a hell of a lot higher than others? Is it really the imports? Is it the high interest rates? What do you put at the top of the list as your villain in the operation?

11:50 a.m.

Mr. Heintzman: If you are going to compete you have got to have a product that is saleable, and that incorporates a price sufficient to return a profit, or at least to enable you to break even. To that extent, of course, I view competition as being a very good thing. If you are not on your toes, if the company is not on its toes with the competition, then that company does not do very well. So to that extent, probably to quite a degree, that is what has happened here. It is certainly one of the very important factors.

Mr. Mackenzie: Are you being undersold very severely by your competitors in your particular lines?

Mr. Heintzman: The bulk of the pianos sold in this country would be at substantially lower prices than ours.

Mr. McKessock: Mr. Chairman, I think most of the questions have been asked. I just want to ask a couple of questions to clarify a couple of points. I am sorry if they were covered while I was out.

Mr. Heintzman, was it your grandfather who started the company?

Mr. Heintzman: My great-grandfather.

Mr. McKessock: Your great-grandfather, so it has been several generations. Were you involved in the firm before joining Sherlock Manning?

Mr. Heintzman: Yes. I joined the family business when I came out of the Navy at the tail end of 1945.

Mr. McKessock: How did you become involved in Sherlock Manning?

Mr. Heintzman: I left Heintzman and Company in 1964 and the principal shareholder, the president of Sherlock Manning, shortly thereafter approached me to see if we could work out some arrangement whereby I might assist him in upgrading his operation.

Mr. McKessock: How old a company was Sherlock Manning at that time?

Mr. Heintzman: The operation had been in existence since 1875, I guess it was, but it was under a different name at its inception. It was the Doherty Organ Company originally.

Mr. McKessock: It was mentioned that there was quite a stock of pianos on hand when your company went into receivership, and they sold quite briskly at that time. Were they sold at the regular list price or at a reduced price?

Mr. Heintzman: They were sold by the receiver at discounted prices.

Mr. McKessock: I toured the Heintzman plant, I believe it was about two years ago, in Hanover. At that time I got the impression imports were hurting fairly badly, but it is my impression that you have not dwelt on imports here this morning very much, or only very lightly. Is that because you are a great free enterpriser, or is it because you feel the imports really are not the problem?

Mr. Heintzman: If there were no imports, I have to believe we would sell some more pianos. I would have to qualify that answer. To that extent, sure, they intruded on our market, but at the same time, as I said, the fact that they were there at pretty attractive prices to the consumer tended to help promote the industry as a whole, while it may or may not have helped a particular company in the domestic field.

Mr. McKessock: Your company sounds a lot like Chrysler and Massey-Ferguson which, unfortunately, after generations of successful operation, now find themselves in receivership. I take it from discussions here this morning that the unforeseen high interest rates of the past year have crippled you. Is that the way you see it?

Mr. Heintzman: The amount of money we spent servicing our debt was certainly a major factor, but it was not the only factor.

Mr. Cureatz: I have a supplementary. You keep touching on the receivership. You did indicate there is still a very small production of grand pianos taking place. Is that operating separately from the receivership aspect?

Mr. Heintzman: No, it is really operating under the receivership.

Mr. Cureatz: Is the long-term anticipation that it will continue to operate?

Mr. Heintzman: My understanding is that they are keeping it going because there are orders for the pianos, and until the fate of the company is resolved it is their intention to keep it going.

Mr. Cureatz: There is still a very positive aspect, actually, to the operation, to the building of pianos.

Mr. Heintzman: Yes.

Mr. Cureatz: You are not putting the gravestone on the company yet.

Mr. Heintzman: We certainly have been trying very hard to prevent that.

Mr. G. Taylor: Mr. Heintzman, I, like Mr. Mackenzie, grew up with Heintzman pianos around me. It was that name. You were talking about the corner shop in Hamilton, and that is where we all went to purchase a piano or even music. But times have changed now and I would like to put that as the formal thrust of your business.

I watched a very short segment of your history in a news story that was done on TV. It gave the history in a nutshell of what takes place in your industry as compared to others. When I say "others," I mean that your name is there. It is a good piano.

Now you have given this further information to the effect that other than the cabinet part of your piano and the assembly--and I guess other manufacturers are the same--possibly 60 per cent, I think you said, comes from other sources; the inside parts, the frame and all that.

When you start boiling down what you have a name for, you have a name for assembling pianos which have been very good over the years. But other than looking at that name, what would another company want to buy? Could it not capture the entire market in another manner and method? How would you answer that question?

Mr. Heintzman: Let us take a foreign company, for example, that has already been in business in Canada. It may perceive that, through one means or another, by acquisition of this company it could enhance the sale of its own product. There are so many different ways it could go at this. It could end up manufacturing a product in its own plant or take over the operation of this plant and bring in a lot of sophisticated skills and so on.

Mr. G. Taylor: I recognize there are ways of doing that, but there are probably just as many alternative methods of capturing the market rather than paying you for that long-standing

name, and particularly the markets that companies might go after today. I think your market in the \$12,000 range and thereabouts would be an insignificant amount of the market that, if I happened to be a corporate investor, I would be trying to secure, given that the bulk of the pianos are going out to the stores at prices of \$1,800, \$2,000, \$2,500, \$3,000.

12 noon

Mr. Heintzman: I can think of one American company which over a lot of years has bought up, as General Motors did, other piano makers. In a number of cases they preserved the names of those companies which they bought up. They continued to manufacture the product and sell it but under the old names, because those old names meant something to the musical community, if you like.

They do not necessarily form a large part of overall production, but in marketing and in setting up dealerships across the country--I am speaking of the States, but it also applies to Canada--in our industry, at any rate, it is perceived to be a good thing if you can have a quality year, even if you do not sell a lot of them, to go along with the more volume-selling lines that you might happen to have. They do this and they do it very effectively. Such a company is theoretically interested in applying our name.

Mr. G. Taylor: Probably at a greatly reduced price, given today's situation.

Mr. Heintzman: That is possible.

Mr. G. Taylor: Let's look at it from another point of view. I do not want to criticize you; I do not know enough about your business.

You mentioned a name that I am familiar with too, Casavant organs--a good brand name, a good product. Yet if I were investing in Casavant pipe organs--their main outlet used to be primarily theatres and churches--I would be nervous about putting money into Casavant today, as its workers must be and as its plant must be, considering what has taken place in the musical market with electronics and with competitors. Could you not apply that to the piano industry?

This is where I get back to management. I cannot expect the workers to know everything that is going on. They put trust in management, a trust that it will do that investigative work and see the markets and bring the products together, and that it will use an imaginative enough sales force to get out there to secure that trust. They are offering their services and expect that you will handle the other part.

What takes place in your industry, and possibly in Casavant, when you may not be providing your part, when you are not doing your share diligently enough? How do we look after the economy in that respect? I mean no personal criticism of you because

everybody has the world pass him by at times, or it changes without his forces.

How do we as legislators prevent a situation like that? What assistance from legislative sources, from government sources or from any other sources could you perceive would prevent that from happening, so that that trust is preserved on behalf of the management and the workers?

Mr. Heintzman: Well, you are getting into a pretty large philosophical area, if I may say so.

Mr. G. Taylor: I agree with you, but we are working against philosophies. We have to boil down that philosophy to how we as legislators can help. Or should we be assisting in that respect?

Mr. Heintzman: A legislature in a democratic society, in my view, exists to help society organize itself, to protect elements in the society against unfair encroachment and being taken advantage of by the stronger members. This is awfully basic, I know. I am not convinced or persuaded that a legislature can legislate to guarantee the ongoing existence of, let's say, any manufacturing or service industry.

I think these operations evolve in the minds of people who perceive a need or a market out there: "Let's get in there and exploit it." I use the word "exploit" in the rounder sense. I think that legislation has probably come a long way in protecting some basic human rights for employees as opposed to employers, but I am afraid I am not qualified to answer that question, nor do I see how a legislature, in effect, can guarantee jobs.

If you want to set up a state industry to make pianos, for example--if the state and the legislature perceive that they simply must make pianos to continue their existence as a province or a state, then they would do it, but I suggest that such an operation would not necessarily be an efficient one, nor, in ordinary business terms, a profitable one; nor would it necessarily produce the kind of a product that would properly serve the community.

I know we are getting into the broad philosophical area, but a companies such as ours--and there are lots of them--were created because of the drive and the imagination and the skills of one individual usually, or a group of individuals, and they flourished because those skills were there. Then, when a succeeding generation or group comes along, sometimes those skills are diminished and, through circumstances or mismanagement or whatever, the enterprise ceases to be profitable. Then I am not sure it is a good idea to turn the system upside down to ensure the survival of that operation.

In our situation--and I guess it is much like Massey-Ferguson, only on a much smaller scale, I recognize--I and others felt there was an opportunity to make the kind of product we wanted to make and to make a profit while we were doing it. All these circumstances that relate to the enterprise have not been

working in our favour, and so, in effect, the enterprise has failed. Maybe that is what should happen. If the inevitable result is that employees lose their jobs and suppliers lose money and investors lose their investments, that is an almost unavoidable result. How you can legislate and guarantee against these happenings I do not know.

I believe part of your inquiry is directed somehow at trying to provide for some kind of a severance allowance for employees, and I certainly do not quarrel with that. But if you are going to legislate in that direction, then I think there should probably be developed over a period of time some kind of a provision that a company must, out of earnings or as a part of its operation, be required to fund amounts of money commensurate with its size and the number of employees, so that in the eventuality of a failure that fund is there to take care of that particular failure. The same thing should apply to the suppliers, I suppose.

12:10 p.m.

Anyway that's kind of a long-winded--

Mr. G. Taylor: You were talking about skill and labour earlier, and \$6 an hour, or \$6.30, was your top rate you mentioned. That to me, even in Hanover or anywhere else would not buy you a great deal of skill, what you would call a skilled worker, and I know there are many other areas where people get far more. I think you told Mr. O'Neil you only took four people from Toronto.

What type of skill would you buy for \$6 an hour? The competition must be heavy in any of those skills if you are only paying \$6 an hour. Of course that is going to reflect eventually in your end product, or your cost of selling the product. But you were mentioning the skills were not up to maybe the top standard, but what could you expect for \$6 an hour in today's market?

Mr. Heintzman: Well, I think when you operate in a community--and that's where everybody operates, in the community--and you operate with the resources that are there, be they water or sewerage or manpower or people power, a business tends to operate and pay the going rates for all these services. Hanover is basically a furniture manufacturing community with three or four other plants apart from ours, I think they are all larger in terms of employment, and we all deal with the same union. And while we do not pay exactly the same per hour rate for each man's skills, the overall package is similar in each of these companies. You might say well there must be some collusion there.

I think if you talk to people, they are aware of what is going on in the community, both the employees and the employers. But in that community, the rates that were being paid by us would appear to me to be competitive up until the end of our last agreement. Admittedly, it is less than you would now pay probably in Toronto. It's probably more than you would pay in Clinton. That certainly was the case at the time of the amalgamation.

Mr. Ramsay: Just a supplementary. I am sure Mr. Taylor

did not mean it this way, but the size of the salary I don't think has a direct relationship to the skill of the individual. You were suggesting that for \$6 you only get \$6 worth.

Mr. G. Taylor: No, but given that there is a certain amount of manipulation and skill of wood and furniture involved in this, which takes some years of training, and you might get some artisans, that somebody offering forth the skills, given another alternative, could certainly market those skills for far more than \$6 an hour. What do carpenters make? Probably, in the construction field, they would make far more than \$6 an hour, but might not possess the same talent and artisan skills of working with furniture that some of your employees would.

So given an alternative, having gone to the community for skills, you are bleeding that community dry because maybe the skilled people have gone elsewhere. So you cannot expect to achieve all those skills that you would want at \$6 an hour. You are making people in that community try to perform, I would suspect, far above their ability and then also keeping those with ability at \$6 at an hour. It just does not seem--.

Mr. Heintzman: I infer from your remarks that we should move from Hanover to some other community. If we moved back to Toronto we would probably pay out twice the amount of money, and maybe incur substantially higher costs. I am not trying to be flippant.

Mr. G. Taylor: No, I recognize that and I recognize your problem, but, again, \$6 an hour does seem low for attracting skilled people. But I also recognize you are in a market where you compete with others and you have not overly competed for whatever reasons. I guess it is the market situation there.

Mr. Chairman: What have you got against Hanover?

Mr. Heintzman: I love Hanover. That's all, Mr. Chairman.

Mr. Martel: Some of the material I have indicates that you have approached the Minister of Industry and Tourism. Is that correct? It says here, "We have involved the Ministry of Industry and Tourism and we are hopeful the plant will be reopened and maybe expanded."

Mr. Bradshaw: That is in the news media?

Mr. Martel: Yes.

Mr. Bradshaw: I think that was an error.

Mr. Martel: Have you approached the Ministry of Industry and Tourism?

Mr. Heintzman: No.

Mr. Martel: Why not?

Mr. Carter: I think they know about the company. We were

approaching them with a view to seeing if there was someone who might want to put some money into the company or buy it. But that was as far as, I think, the inquiry ever went.

Mr. Martel: But the Ontario Development Corporation is specifically designed to assist. I do not mean to give grants; I do not favour grants. But as a last resort, that is what ODC is about. It would seem to me that you should be making your case before ODC.

No one has bothered to ask the question of what your debt is. I am not sure you want to disclose that. But we are talking around here in a circle. We do not know just how bad financially the situation is. It is severe or the bank would not take you into receivership. But, none the less, if ODC could provide loans at a competitive rate because of the circumstances, you do not want to lose jobs in a community where there is already a shortage of jobs, it seems to me that is where Heintzman should be.

Mr. Heintzman: We did talk to ODC a little more than a year ago. At that time we were trying to develop some export business in the US. We understood that they would participate in some kind of insurance program for collection of receivables ensuring that we would get paid. At that time--I must say I have forgotten the details--we were unable to go any further in obtaining any assistance from them. The door was not slammed shut, but it was firmly held against any aid at that particular time.

Do you remember any of the details?

Mr. Bradshaw: It was basically an insurance program on export at that time.

Mr. Martel: But you have never gone to them in terms of acquiring some working capital?

Mr. Heintzman: No. I think they were very much aware of our situation when they attempted to bring in or find outside participation for equity.

Mr. Cureatz: (Inaudible) going further into debt.

Mr. Martel: Well, we have gone into debt with Minaki and it does not create a job with the \$20 million we spent.

12:20 p.m.

Mr. Cureatz: Why don't you ask the people up there?

Mr. Martel: I am almost afraid to ask you the next question because you give the impression of being one of the last of the great free enterprisers.

Mr. Heintzman: (Inaudible) probably created the impression.

Mr. Martel: Would you be prepared to have ODC invest and take an equity position with the right to buy out those shares

once you got re-established? You seem to be fighting for time more than anything. If ODC were to take an equity position, would you object to that?

Mr. Heintzman: I am not in a position to object really.

Mr. Martel: But you, then, would be prepared to see ODC take an equity position and five years down the road, if things turned around, they would have the right to sell back to you the whole of the equity position they have?

That is the way of government involvement that seems reasonable to me. Because, you see, it is jobs too. If you have plants shutting down in Hanover, you have plants shutting down in Lindsay-- I do not like going the route of giving \$68 million grants to Ford. I would put the \$68 million up if I were in that position, providing I had an equity.

Mr. Carter: Part of the agreement with the Enterprise Development Board was that they had a right to pick up 20 per cent of the shares of the equity in the company.

Mr. Martel: That's ODC.

Mr. Carter: No, Enterprise Development Board. They are federal.

Mr. Martel: Oh, well, I am not talking federal; I am talking provincial.

It seems to me that the whole purpose of ODC and recommendations which came out of the Rowe select committee looking at economic and cultural nationalism, of which I was a member, recommended using that avenue. The government has not implemented them very strongly, but then, again, I do not agree with what the government is doing. But that is an avenue that should be explored.

Mr. Cureatz: That would not be a first time.

Mr. Ramsay: Could I ask a supplementary? If you had gone to ODC and obtained money--forgetting for a moment about Mr. Martel's suggestion that there be an equity position--that would have increased your indebtedness to the bank and to your suppliers and to ODC. Would that be attractive to you or not? It would provide additional working capital, but it would also provide additional indebtedness.

Mr. Heintzman: Additional debt we don't need.

Mr. Martel: That is why you want equity. That is why the only solution is to go the equity route and they have the working capital necessary there.

Mr. Ramsay: I realize the point you are making, but they do not have that policy now.

Mr. Martel: ODC does. They have in the past on occasion

done that and to me that's an avenue that should be explored.

Mr. Ramsay: Fine. I was not aware of it.

Mr. G. Taylor: It doesn't change the debt load. Whatever equity the government has--

Mr. Martel: Yes, but you put up working capital, George, which is the problem. And you can use that working capital to help resolve some of your financial problems.

Mr. G. Taylor: Every cent still has to paid off.

Mr. Martel: That's why I said five years. If I have an equity, I am buying a share of the company. And I am no economist, but if I put \$1 million into the company, they are going to have something with which to work.

Mr. Cureatz: Syncrude.

Mr. Martel: Yes, you had some money in there and you blew it.

Mr. Cureatz: (Inaudible) in relation to buying its shares and selling it five years later, or whatever the consequence. I was just trying to give you an example, that's all.

Mr. Martel: But it is a way that government can get involved without seeing a company in a small community go down the tube and yet without giving grants away.

Mr. Chairman: The point has been well made. Mr. Heintzman, are you going to respond to that?

Mr. Heintzman: We have not specifically asked ODC for involvement, that's true.

Mr. Martel: I would encourage you to do so, because, my God, if it saves jobs in small communities where there is already a shortage of jobs--

Mr. Cureatz: We did ask the debt load. I am just wondering: we have subpoenaed Armstrong Cork to find out their financial figures. Was it in the millions or hundreds of thousands when the receivership took place? What was owed to the bank, more or less?

Mr. G. Taylor: What does your receivership statement say?

Mr. Heintzman: Our outstanding amount of indebtedness to the bank was as high as \$1.3 million.

Mr. G. Taylor: And your assets, against the \$1 million?

Mr. Bradshaw: (inaudible) around \$700,000.

Mr. G. Taylor: So you are roughly \$600,000 off the mark.

Mr. Martel: That is the only line I really wanted to pursue, because I just think that is an avenue that should be explored, either through trying to get a loan at a reduced rate which would help you to some degree because time seems to be of the essence; or try to interest ODC and Larry Grossman to take equity with the right for you, when you are in a better position, to purchase back from the crown those shares, so that everyone benefits then. Society benefits; the workers benefit, and the community, and the corporation.

Mr. Heintzman: Thank you for the suggestion.

Mr. Chairman: There will be a finder's fee for Mr. Martel if you pursue this. This is a sideline of his.

Mr. Martel: It's against my policy; I cannot take money from corporations.

Mr. Chairman: Mr. Heintzman and gentlemen, thank you very much for your help to the committee this morning.

Mr. Cureatz: May I just say how much I have enjoyed the frankness of your presentation? I have not been here for the full morning, running in and out of committees, but this helps the committee in terms of trying to get an overall perspective. Even your outside comments, when you are elaborating on some of your philosophical beliefs helps all committee members to get an appreciation of how to recommend to the Legislature an approach in terms of our report.

I wish you well and I trust something can be done somewhere down the line.

Mr. Chairman: Thank you, Mr. Cureatz.

Again, gentlemen, thank you very much for your time; you have been some help to the committee and we appreciate that.

You see by your agenda, members of the committee, that at two o'clock we will be in room 151 with Mr. Fisher, the mayor of Hanover. I would also ask the members of the committee if, between now and this afternoon, you see other of our committee colleagues, to tell them one of the things we will do at the end of our hearings today is speak to the agenda next week. There are some people who would like to get a better handle on where we are going the week after next. So Graham and I will hear those points this afternoon.

The committee recessed at 12:28 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, NOVEMBER 19, 1980

The committee resumed at 2:07 p.m. in room 151.

HEINTZMAN CASE STUDY
(continued)

Mr. Chairman: I have a representative from each of the caucuses. I will call the meeting to order. Mr. Allen Fisher, the mayor of Hanover, took the time to be with us today.

Mr. Mayor, would you come forward, please? I know you have an opening statement and as long as you recognize that we are at your disposal and we are prepared to learn what we can and anxious to learn what we can of this unfortunate closure situation as it affects your community, if you would begin at your convenience.

I might just say to the committee, the mayor has a time commitment and we also have the union representatives we wish to hear from today, and if we could proceed with our usual speed, it would be helpful to everybody.

Mayor Fisher: Thank you very much, Mr. Chairman. On behalf of the council and the citizens of the town of Hanover, I thank you for the opportunity of speaking with you today. I did not have much time to prepare what I would like to say. However, I do have some notes and if you will just bear with me I will read them.

First of all I would like to say the cessation of production at the Heintzman plant in Hanover is a real setback to our community; however, it is more serious to the 100 or 130 employees of the firm than it is to the community itself, naturally.

We are aware that financial failures can occur at any time, even during times of prosperity, and really cannot be controlled or sometimes it is tough even to monitor them by the many forms of government. We are, however, concerned with the effects of this plant closure on the staff and long-term employees, most of whom had very little warning, really, that there was going to be a permanent closure. It is our feeling that some of the ideas we could put before you may be helpful in your presentation to government as to how situations like this can be avoided and perhaps suggest how some help could be given to the Heintzman Company itself.

We feel no employee should lose any accrued or earned pension benefits because of company closures. In other words, companies who choose to cease operations should be required to look after the pension payments of long-term employees and no employees of long service should lose in any way the accrued benefits they have earned over the years of service to the company.

Other than ceasing operations due to bankruptcy, over which a company may have no control, a substantial period of notice should be required. We suggest perhaps six months, though many may have ideas that range from less to far more than that, but there should be a substantial period of notice or payment in lieu of notice so that employees have time to seek other employment. This is especially serious in our area where we do not have a great concentration of firms and the possibility of someone simply replacing a job is a little difficult.

We recommend that companies which close plant operations in one centre for economic reasons and expand in branch plants should be required to offer to transfer, at the company's expense, all employees who want to move to the new operation.

This may not be a situation the town of Hanover would have an interest in in a sense, but in another sense it does protect the employees.

2:10 p.m.

We feel that tax incentives should be withdrawn and tax penalties imposed on companies who shift operations merely for economic gain with disregard to employee effects.

We feel that government programs of retraining and unemployment benefits should be intensified to carry employees over a period of unemployment due to causes beyond their control, such as plant changes and companies going out of business. Communities affected by plant closures should perhaps be made eligible for a type of grant from the senior levels of government to encourage industries to locate there and thus be able to replace lost jobs.

There are some questions we put forward, for instance, how large need an industry be to obtain assistance from senior levels of government? We think of the Chrysler Corporation, Massey-Ferguson. Of course, these are cases where thousands of jobs are affected, but to the 100 or 130 people in the Heintzman operation, it is just as important to them as it is to each one of the 300, 400, 500 or 1,000 employees affected by larger plant closings.

Sales tax incentives for failing types of industry: it is interesting to note perhaps that in the mini-budget of a week or so ago the type of industry that is in trouble in our town was not included in the exemption for sales tax. In other words, I believe the sales tax was still going to apply on pianos. In this case I do not think it would have come in time to help this particular company, but it is our feeling, where this is known, the government should be speedier to act to assist a type of industry.

Naturally we are concerned about how tariff protections may affect the industries in our country. I know the provincial government has no control over tariffs. However, it is a concern and something on which the provincial government can make its feelings known to the federal government so that industries, such as the piano industry and the other major industry in Hanover,

furniture, which employs probably about 80 per cent of the people in the labour force in our community, are not affected by any lowering of tariffs that will bring low-priced imports in and take the jobs of the people in our community.

Those are some of the ideas we put forth to you. Thank you for the opportunity of coming here to present them. I would be happy to try to answer any questions you might have.

Mr. Mancini: Your Worship, I would like to ask several questions. I am not familiar with the community you represent.

Mr. McKessock: I will let you know about it.

Mr. Mancini: Yes, I know Bob has mentioned the town of Hanover many times.

Mr. McKessock: How could you have missed it?

Mr. Mancini: Could you tell me how big a property tax payer this company was?

Mayor Fisher: What the property tax bill was?

Mr. Mancini: Property and business.

Mayor Fisher: I stand to be corrected, but I believe it was approximately \$15,000 a year.

Mr. Mancini: What percentage would that be of your total tax base? Is this a substantial sum of money?

Mayor Fisher: Naturally it is a substantial sum of money, but property taxes of course, you understand, would be collected on the property whether it is in operation or not. That, in itself, really is not of concern to the municipality because if the property is sold then the tax will be collected. Our concern is more the jobs.

Mr. Mancini: What about so far as the public utilities are concerned or the water commission? Do they supply this company with a lot of electricity and water and is that going to affect the rates for everybody else substantially?

Mayor Fisher: Honestly, I would say no. They were not a large user of water. With electricity, I would say no, it is not going substantially to affect anyone else in the community.

Mr. Mancini: As you know, this committee has been given the responsibility of investigating plant shutdowns and employee adjustment and we have heard several briefs already from different people, unions, management and other local officials. I believe we have heard from an official who is the industrial commissioner for some other community.

I would like to ask you some questions concerning some of the comments we have already heard. This committee is going to be

making recommendations to the Legislature and some of them may be far-reaching.

One we have talked about on and off again here at the committee is the requirement that companies make their financial statements and financial operations available to the community at large and possibly to a government committee before they are allowed to shut down, and therefore in that way, justify the shutdown and in that way show some responsibility to the community before they leave.

As the mayor of Hanover, would you think that would be a proper and positive action for the Legislature to take, to require all corporations to do this in the event of closure?

Mayor Fisher: I think it would be most helpful in justifying the plant closures or plant moving. Yes, I would say so, especially in the case of an industry that did receive some sort of incentive over the years from the municipality in some way. I think, rightly so, they should be asked to justify what they are doing and not simply do it for economic gain with total disregard to the community, the upheaval of the employees and other effects in the community as well.

If this particular closing in Hanover had been much larger, it could conceivably have had effects on property values in the town; it could have had an effect deeper into subtrades and that type of thing, and it really could have gone quite deep. We were fortunate in a sense that they were not the largest employer in our town, but still we are concerned. We are trying to attract industry; we cannot afford to lose it.

Mr. Mancini: We have also been told here at the committee level, if we were ever to implement anything such as that, of course companies would not want to come to Ontario. This is a basic question I have asked most witnesses and I would like to put it to you. Do you think that is just a scare tactic or do you think it would really have an effect?

Some of the witnesses we had here last night said in most free western European countries this was already a requirement and the same multinational corporations that operate here are operating there under their rules and operating here under our rules, so we are getting two distinct views here. I was just wondering, as the head of the municipality, you probably have met people from industry who are interested in locating in your area, do you think that would have any detrimental effect?

Mayor Fisher: I do not really think so. It depends on how far government goes in interfering in free enterprise. I think there is always some level of government control or--how should I put it?--perhaps government watchdogging, to make sure that corporations are good corporate citizens. If this were made a rule, I do not think it would have any real detrimental effect on companies locating in Ontario, as long as it is not the thin edge of the wedge where municipalities then want to look at the books of all the corporations there for every reason under the sun.

Mr. Mancini: No, it would be strictly for the plant closures. Say this company of 150 employees, or however many there were, is closing down and we do not know why, nobody knows why; under those circumstances that is when the law--

Mayor Fisher: I would think, as far as the company is concerned, they would want to do that anyway to justify as far as the public is concerned what they are doing.

Mr. Mancini: They don't so far.

Mr. Mackenzie: I wish that were the case.

Mayor Fisher: Perhaps then it is unfortunate that they don't take public relations into account. They don't put the same importance on it. But simply closing an operation for economic advantage, with complete disregard for long-term employees I think something has to be done about it, and that is undoubtedly why you are here studying it.

Mr. Mackenzie: I am wondering, Mr. Mayor, if you can give us some idea at all of the cost that may be involved to the community of Hanover in this shutdown. Obviously it is not the tax loss of the operation, but what do you see or what do you perceive as being the cost to the community?

Mayor Fisher: The dollar and cents cost to the community, do you mean? The direct cost?

Mr. Mackenzie: Social and economic.

Mayor Fisher: Well, you are looking at 100 to 130 jobs right now. I don't know how you would put a dollar figure on something like that; it's almost impossible. Many of those people live right in our community and not outside the community, so there could be financial problems. There could be social problems with families when the person who has worked there for 20 years all of a sudden finds himself unemployed, and the job market in our area is not that great.

I think something like this is even more important when it happens in an area such as Hanover, where you only have a certain number of jobs that are available. When you throw 100 people out of work in our area, it might be the same as throwing 5,000 people out of work in, say, some suburb of Toronto.

I don't know, sir, if I could come up with a financial impact on the town. Certainly the social impact could go pretty deep.

Mr. Mackenzie: Do you feel personally that it will have a financial impact on the town?

Mayor Fisher: It will have some financial impact on the town, but I would say that we can probably weather that storm. And I am not as concerned about that as I am about the social impact perhaps.

Mr. Mackenzie: What do you see happening to the workers that are involved there with the employment market not being that handy in Hanover? Are these people going to move elsewhere?

Mayor Fisher: I would say probably a great number of them will have to. Some of them, we would hope, would be taken up by some of the other industries there. But, as I said to you before, we don't have a great job market, and it is going to be pretty tough for them. And I can see that some of them would be facing long term unemployment unless they leave this particular part of the country.

Mr. Mackenzie: As the mayor of the community, do you have any information or idea yourself, or any feelings on the--I know this is a difficult question--on the potential viability of that operation? Is it one that you see as an operation that should continue? Or do you figure the finances are so lousy that that is an impossibility?

Mayor Fisher: We did in this particular case, get a copy of the financial statement, and it certainly is not good. I don't know if I can answer your question exactly.

If that particular company can be pulled out--just pulling it out is not the answer in itself. Naturally everything has to operate at a profit. Otherwise all you are doing is prolonging the closure type of a thing, and if it didn't close this year, it would close next year. It is pretty deep in debt. I would think from a personal observation that someone, somehow, could make it a viable operation. But it is only a personal observation; I know that it is pretty debt ridden.

Mr. Mackenzie: Were you here this morning at all.

Mayor Fisher: No, I was not sir.

Mr. Mackenzie: One of the things that some of us at least found interesting was the observation that when the new plant was built, it was build and designed, after they had left Toronto, for an integrated and smooth-flowing operation, supposedly so they could take advantage of the techniques that were known in the relatively modern times, I guess, when this plant was being built there, and then in effect, they threw the walls up around the operation. But the clear message that came through also was that--whether it was mismanagement or what was difficult to get at--it just was not operating with anywhere near the efficiency it was designed for.

Mayor Fisher: I would say that is my opinion as well, which is why I say to you that it possibly could be a viable operation if the techniques known now could be implemented in manufacturing pianos. It is my understanding that some of the other, prospective piano manufacturers that looked at the business could produce pianos with considerably less man hours than were being used there so, naturally, the cost of production per unit would be much lower.

I would say that perhaps the management has not kept up with

the times, as it were, in modernizing it so that you can produce the product at the price that you can sell it for and make a profit. Which is why I say that even though there is a tremendous debt to carry, I think that the right person or the right organization or the right corporation probably could put it back on its feet again.

Mr. Mackenzie: We are dealing with a debt--I don't know exactly what it is, it really does not matter--but in some of the company statements they said they are paying \$250,000 a year in interest at 20 per cent, which is one hell of a rate. That would seem to indicate they are carrying about \$1.3 million in debt. I guess what I am wondering--we were asking them if there was a market in Canada, could it be a viable operation?

I think this is one of the hard things that we have got to take a look at. Or do we allow our second last piano manufacturing company go under and we import what we are going to use in this country?

The question we are really asking is, and why I wanted to know from you some idea of the costs to the town, is what we are going to spend, number one, in the case of roughly 100 employees? What it's going to cost us in UIC per week? Is the town going to have additional costs, welfare or other social costs involved? How easily are we going to provide jobs for these people, because there is a question also of an individual's desire and some dignity that goes with a job, as against the viability of any refinancing or anything else that happens with the company?

That also begs the question that I would like to toss on the same plate to you, of whether or not you, yourself, see any problems--we have asked the company this--in joint venture arrangements, in other words, in government involvement for equity in the company.

Mayor Fisher: I would say that I would like to see some joint venture. However, it is quite obvious that any joint venture would require new and different management. I feel that in this particular case, to the degree I can't tell you, but just as a result of what I said before, that management was not looking after the affairs of the business the way they should have, or they would not have fallen that far behind and something would have done before it reached this critical point.

I am talking in terms of the financial side as well as techniques. And I was very surprised to hear from these other people that they considered the operation in the plant, that really was only about 20 years old, was so antiquated, from the way they talked.

The other part of your question about the impact on us as far as welfare is concerned, the municipality does not get involved in welfare. It is handled through the county system, the UIC. We pay for it, as all of us pay for it, but it will not have a direct bearing in that way. I don't know what the community or the municipality can do in so far as joint venture is concerned, depending on what it is legally possible to do, and what it is

practical to do. I would say that we have an interest in an industry that size in our town, yes, and we would very much like to be involved in some way, shape or form in it. I think that it could be viable in the future.

Mr. Mackenzie: One of the reasons, in terms of joint venture, and I am not interested, firstly, in joint venture in something that is an impossibility. I am wondering about it in protecting, in terms of the cost of that kind of an approach versus the jobs we are going to lose and the cost to us in imports. But I also gathered that you are a pretty strong defender of the private enterprise system, and wondered whether joint venture bothered you in that context? Because it is a dirty word for a lot of people.

2:30 p.m.

Mayor Fisher: I know it is, sir, and I am a backer of the free enterprise system. I work in it and I enjoy it, and I think we have gained a great many benefits from it.

However, I don't feel that government should have no involvement in business. Obviously governments have to be the watchdog. You know, if you leave anyone alone the temptation to do something they should not do is pretty great. And in a lot of cases, governments may provide the only possible financial backing that could be obtained at the time. Yes, I am a backer of the free enterprise system, but I think there has to be some government involvement.

Mr. Mackenzie: I don't think you should feel bad. The bigger and richer the giants are the more they want to get into the public trough today, vis-a-vis Ford, \$58 million or something, and \$95 million to the pulp and paper industry, and a few others.

Mr. Mancini: Everybody is at the trough.

Mr. Mackenzie: There seems to be something about this fear of socialism that big businesses overcome. And it's as much welfare as we can get through the corporate world.

Mayor Fisher: I am in a government of sorts too, and we get asked a similar type of thing, only on a smaller scale, and under a different heading.

Mr. Mackenzie: Let me ask you a question, because it has been raised with us by other people. I don't know the makeup of the work force at this particular plant in Hanover, but does it really make sense to think that most of them can be placed in other communities?

We have the example of an Armstrong carpet employee from Lindsay going to Windsor, when you already had a 20 per cent unemployment rate in the city of Windsor. It really did not make a hell of a lot of sense to be trying to locate somebody who had lived most of their life in another small town in Windsor.

Mr. Eakins: The people of Lindsay have excellent qualifications.

Mr. Mackenzie: I grant that without argument, and probably the people of Hanover too. I am just simply saying, does it make sense to think that we can take people out--especially if they have lived most of their lives in that community--and effectively move them into other industrial centres where we may or may not have more jobs?

Mayor Fisher: I would say that in some cases, depending on individuals and depending on what they are trained to do and what they are skilled at, you can move people and it has little effect. In other cases, you will have people, and especially in a community of our size, who would not want to go to a big centre. They would prefer to stay where they are, and even collect unemployment insurance, than to go some place else.

But also, the fact is, furniture manufacturing is a kind of specialized skill, and pianos are a type of furniture manufacturing, and we have a greater concentration of furniture manufacturers in our area than I would say just about anywhere in Ontario, and yet, they are not employing enough people, or they are not growing enough to bring more into the work force of those factories.

So I would say, it is going to be a major disruption for these people in this particular case. An auto worker can go to another auto manufacturing plant, from one big centre to another big centre. I know myself, having grown up in Hanover and lived there all my life, to be transplanted to, say, Toronto, would have a tremendous impact on me and I feel it would be the same with those other people. For the most part they have been in our area all their lives.

Mr. Mackenzie: I gathered from testimony this morning also, that one of the things that is happening in the case of Heintzman, is that it is becoming probably more and more simply an assembly operation, that we are importing now a good deal of the parts that go into the finished product they have. I am wondering if that is a concern.

Let me raise something along the same line--another small furniture manufacturing town, not Hanover, but in that general area of the province, where I was contacted about a year ago by some of the workers in this particular plant who were concerned that they were now buying from Japan some of the finished sheets of wood they were using in the furniture. They had purchased it locally prior to this particular time, but now the raw materials were going to Japan and the finished sheets of wood they were using in the furniture were coming back from Japan.

So we have this strange situation of exporting our raw materials and then purchasing back the finished sheets to go into the manufacture of furniture. It seems to me, that case struck me when I was hearing this morning about the increasing number of parts that were being imported in the piano operation and I am

really wondering about the viability of strictly assembly operations.

Mayor Fisher: Naturally that type of thing is important to us as well. That is just one step along the road to importing the finished product completely from Japan and that is something where some sort of government protection has to be implemented, tariffs, or whatever. If you have a lower wage rate and a lower standard of living in certain countries, naturally they can manufacture products and ship them over here and sell them over here for less than we can.

But that type of thing, if it grows, is one step away from the Heintzman company importing pianos and putting its name on them, or importing the unfinished piano and finishing it--this type of thing. All of a sudden you are not even an assembly plant, you are simply a clearing house or a distributor.

Yes, we are concerned about that too, but I do not think it has anything to do with the viability of piano sales in Canada.

Mr. Mackenzie: I wonder what the viability of the sales has to do with a lot of this.

We had testimony yesterday that indicated the closing of the SKF corporation here in Scarborough is not simply the attraction of low-wage areas. The plants that are moving out of here, in some cases--in many cases--are going to higher-wage areas. The wages and benefits, for example, in Sweden and West Germany are now considerably ahead of ours. Yet, we are going to be importing almost all the bearings we have been producing and packing in this country up until now. It is not just low-wage areas in this situation.

What I am really wondering about is the comment you made a little earlier, that, yes, we need some government involvement or protection somewhere along the way.

Mayor Fisher: I do not know the SKF situation exactly, but I feel the same thing applies there. They probably are amalgamating all their operations in one particular place and want to produce everything on a large scale and ship all over the world, and they feel they can do it.

Mr. Mackenzie: Rationalization is the name of the game. What they are doing is milking the Canadian company for all it is worth and, at the same time, taking the jobs away. We are going pay to import that material.

Mayor Fisher: That is where we need some government involvement.

Mr. Mackenzie: That is also private enterprise that we were talking about earlier.

Mayor Fisher: I said I believe in private enterprise, but you still have to have some sort of government involvement. We have gone a long way to building a standard of living over here

that I would hate to see changed.

Mr. Mackenzie: I think we may have done it by highgrading for an awful lot of years and it is beginning to catch up with us.

Let me ask you if you have any disagreement with a suggestion we have actually moved in a bill in the House; that is, a community adjustment fund whereby corporations operating in this province would be forced to set money aside as a tax measure or as a specific financial contribution to a fund. This is something they are using in many of the west European countries. That fund can then be used to assist a community with the costs it is going to run into if a plant does close down.

There may be some that have much more direct financial costs. I think there was more concern in Lindsay than in your case because of the nature of the operation and the closing of the carpet plant.

That fund can be used to assist a town or any community with the costs it is going to run into, and it can also be used as additional funding for an attempt at a joint venture or a crown corporation, to assist a purchaser or to interest somebody else in that particular operation. Is that, to your way of thinking, a viable or sensible suggestion?

Mayor Fisher: I would say in principle I like the idea. I think what I read to you here is along that line to some degree. Yes, I feel corporations have to take their responsibility to the employees, especially long-term employees, pretty seriously. In that case, where it is absolutely essential and absolutely necessary for a company to cease operations, something is provided so that the effects can be minimized.

Mr. Mackenzie: Just as a little sideline to the same question, they have a rather interesting system, in my opinion, in Sweden. It was the Swedes we were angry at yesterday because they are the ones who are pulling this particular company out of this country.

In Sweden the corporate tax base is increased--the taxes they pay--when the profits are high and the company is doing well, and decreased when the company is having problems, which is exactly the reverse of what we do in this country. I am wondering if that makes any sense to you, something like "pay when you can," or, "the higher your income"--as an individual--"the more you pay in taxes."

Mayor Fisher: Is that not the same type of taxation as the personal income tax?

Mr. Mackenzie: That specific kind of a levy for industry might make some sense.

Mayor Fisher: It might, but, as I said, it is along the same line as personal income tax: The more you make, the higher

percentage of tax you pay. I know corporation tax is not quite the same. It is not have the same.

Mr. Mackenzie: I know it isn't. I take it from your remarks that you do support the idea of a considerably longer notice period when a plant is going to shut down.

Mayor Fisher: Yes. I have to feel that way. I think the impact, especially on long-term employees, is too great when something like this happens. I feel corporations have to take their responsibilities very heavily.

2:40 p.m.

Mr. Mackenzie: I gather you have some problems with the concept of justification, but the point has been made before this committee a number of times that corporations, before they close, should be required to open their books and justify the closure. Would that be too hard to swallow, from your point of view?

Mayor Fisher: I do not think so. I cannot see why it should be.

Mr. Mackenzie: I might point out that it is an absolute requirement even for major changes, let alone closures, in most of the so-called free, western European countries now, but something that has been an absolute no-no for some reason or other in this country of ours.

I take it, then, that if we could get our colleagues in the Liberal and Conservative parties to support a community adjustment fund, longer periods of plant notice--these kinds of moves--you would have no problems with them at all.

Mr. Mancini: We have made statements about that.

Mr. Mackenzie: Well, we have not had much luck up until now, but I think this committee may be educating you, Mr. Mancini. I hope so. Those do sound like at least viable or possible approaches to this problem.

Mayor Fisher: I would say to you I agree in principle. Anything can be taken to one extreme or the other, of course. Any stuff along that line could go to the extreme. A company could look at it and say: "It is unworkable. It is impossible. We will go some place else." But I think in some way, in some measure, some of those suggestions make some sense.

Mr. Mackenzie: If Mr. Fisher, a solid representative of a small town in rural Ontario, can agree with us that we should at least take a look at some of these concepts, then I think we are making progress on this particular committee. Maybe we can come up with some recommendations.

Mr. Mancini: I have been telling you that all along.

Interjections.

Mr. Chairman: How long have you been mayor, Mr. Fisher?

Mayor Fisher: It seems like forever. Six years. I am in my seventh year.

Mr. Chairman: Did you have a contest this past fall?

Mayor Fisher: Not recently. Two years ago. There has been one, it seems, almost every second term. The first one was a contest, the second one was not. The third was, the fourth was not.

Mr. Chairman: Who are the biggest employers in Hanover?

Mayor Fisher: Sklar Furniture, Peppler Division, and Knechtel Furniture--both furniture manufacturers--are the biggest employers in Hanover.

Mr. Chairman: Will the recent mini-budget presented here with that sales tax exemption help the community generally, do you think?

Mayor Fisher: Oh, I think so. I do not think there is any question that it will be of benefit to Hanover since about 80 per cent of Hanover's employment is in the furniture industry. I cannot see that it could have any other effect but to help.

Mr. Chairman: Did you have chance to make a suggestion to the Treasurer (Mr. Miller) in the last year or so, or do you from time to time make suggestions as to what might be done in the budget?

Mayor Fisher: We like to make suggestions to our senior governments, yes.

Mr. Van Horne: Mr. Chairman, I have a supplementary, and I would direct this as much to you as I would to the mayor. If my numbers are right, approximately half of the furniture sold in Ontario is imported from the United States or from Europe. I would just observe that, whereas the community of Hanover might be assisted, there are any number of arguments that could be made about the adverse affect of removing that tax in so far as our balance of trade is concerned.

I do not know how much the mayor get involved in that kind of discussion, but I just mention that as an aside, to sort of keep a balance, Mr. Chairman.

Mayor Fisher: We convened--when I say "we," I mean myself and the council in Hanover--a meeting several years ago when the General Agreement on Tariffs and Trade meetings were taking place. We had heard that some consideration was going to be given by the federal government to lowering the tariffs on furniture. I feel we were reasonably successful. I believe the tariffs were lowered slightly, but not to the extent we had heard they might have been.

Of course, that would have had a terrible effect on Hanover because of the fact that 80 per cent of the people are employed in

furniture. Believe it or not, a lot of the imported furniture does come from the southern states where the wage rates are lower. There is no doubt that even though people are faithful to their own country, at times they look at a product and buy the one which is a bit cheaper, even if it made outside the country.

Mr. Chairman: On that very point, do you think the buy-Canadian program has had a positive effect in your immediate community?

Mayor Fisher: It certainly has had some effect, sure. I do not think there is any doubt about it. If you want my opinion, I think it is something that should be continued. I do it personally.

We do it in a lot of cases around Hanover on a local basis. Sure, we owe something to all those people who are working there. When you are thinking of furniture, you think of the local. It is a public relations type of thing. I realize you cannot confine all your purchases to the local area, otherwise you are building a little island. We have to sell our furniture elsewhere as well.

Mr. Chairman: If you were to were to compile a list of some of the newer employers in town--I am getting back to the comment you made at the outset that one of the things you are trying to do is to attract new industry. It is sort of a two-part question. What do you do to attract new industry? That is just a general question. Is there anything you could pass on to us? How has it been working?

Mayor Fisher: We have not been as successful in attracting new industry to Hanover as I had hoped we would be. What we do first, of course, is advertise the merits of the community: the location; the fact that we feel labour is available; this type of thing. We are trying to assemble some municipally owned land so that if an industry is interested, we can show it something on which it can locate and we can assure it of the proper services. Generally, it is a kind of public relations sales campaign.

It is something that is very competitive. Every municipality in Ontario is doing the same thing. We are not doing anything different from anyone else.

Mr. Chairman: Do you get any help from or do you look for help from the government, from the Ministry of Industry and Tourism in particular, for your community?

Mayor Fisher: Yes.

Mr. Chairman: If so, what do they do?

Mayor Fisher: We have had communications with the Ministry of Industry and Tourism. They did, as a matter of fact, bring two prospects up to our area. As a matter of fact, one of them looked at the very plant we are talking about, but the business was so much different that the physical makeup of the plant did not suit it. They did call up and give us specifications

and ask if we had something like that available in a building. They gave us the specs but we did not have it readily available.

Every industry is different. This is the problem. Some want a floor that will hold X number of tons. Some want a ceiling height of such-and-such. Some want loading ramps so high. Some want something else. If you do not have any building readily available that meets with their needs, someone else might. In a lot of cases, this is how some municipalities do attract the industry.

Mr. Chairman: Thanks for that. I know you have a time problem, but Mr. McKessock, who represents your community here at Queen's Park, is next and last on the list.

Mr. McKessock: Mr. Chairman, I have a supplementary to your question pertaining to the involvement of Industry and Tourism.

You realize, Mr. Mayor, that the closest ODC office, or the regional office which covers our area, is in London. We are really closer to Orillia, Toronto or Kitchener where there are ODC offices, and yet we are covered by the London office.

Do you feel it would be beneficial to have an ODC office, say, in Hanover, or in Owen Sound where there is an Industry and Tourism office, or somewhere within the area where it could be of greater access than London?

Mayor Fisher: How can I answer that other than by saying, yes, of course. If you asked if I would like any kind of an office located in Hanover, I would say, "Of course." If it was closer, it would be a little bit easier. You have to understand they cannot have offices in every community for reasons of cost alone, but an office in Hanover or in Owen Sound certainly would be helpful.

Mr. Chairman: That is something Mr. McKessock could take back to his caucus and maybe do a trade right in there, talk to Eddie Sargent and Ronnie Van Horne.

Mr. McKessock: Trade?

Mr. Chairman: Yes. Maybe Ronnie would send the office in London to Hanover, or maybe Eddie Sargent would like to send you the Owen Sound one.

Mr. McKessock: At least if we could be brought into one of the three areas that are closest to us, rather than London, it would be beneficial.

2:50 p.m.

The other one is supplementary to the farm land that you mentioned. Mr. Mayor, as you know, you were having problems even getting farm land to use in your area for industry, but Toronto has no problem getting farm land for industry. It has always been my feeling that if farm land in Ontario was not allowed to be used

for industry or for purposes other than farming, we would have a much better chance of getting industry in our area because we have more rough land. If they could not use the farm land around the cities, then maybe they would have to move out.

The way it is right now, it is so easy to get good farm land around the city, which is easier to build on, that industry settles there much more readily instead of moving up into our area. If they were not allowed to use that farm land, can you see that it would be easier for us to obtain industry farther north?

Mayor Fisher: Certainly if industry wants to locate in Ontario, when it cannot locate in one spot it is going to pick another spot, but I do not know if that in itself is just the answer. You know we went through a long painful annexation process several years back and at that time, they said we could not annex land because it is good farm land. Now you are saying up our way there is no good farm land and industry should be located.

Unfortunately, when you talk about farm land and you talk about industry, industry and agriculture seem to like the same land because they like level land and they like something that seems to be next to communities. I know you decry the changing of lands from agriculture to industrial purposes, but it is my feeling that you have to have some of that or you are never going to employ the people in your country.

Mr. McKessock: Except that Grey county has a large area of marginal type land.

Mayor Fisher: Then why did it take us so long to get it annexed?

Mr. McKessock: That seems to be a bit of a problem. The government may say municipalities outside of Toronto should try to preserve the farm land, but when it comes down to Toronto there seem to be very few restrictions. I think they should be uniform across the province and not just say that Hanover cannot use them.

Mayor Fisher: I can't argue with uniformity. Naturally the aspirations of communities are, at some time or other, going to run counter to the aspirations of the agricultural people who want to preserve all the farm land, but I think there is no question that we have to be able to annex some farm lands some time, some place, otherwise we are not going to have any place to put a nice new industry should they wish to locate here. That was our argument for three years.

Mr. McKessock: And a good argument, as long as Toronto can use it.

Mayor Fisher: I do not know, Bob. You at one time opposed the annexation in Hanover too. We were not sure at one time where our allies were and our enemies were when it came to the annexation.

Mr. McKessock: My point was it is going to be difficult for us to obtain industry in our area further north as long as

good farm land is going to be allowed to be used close to the cities, because they are surrounded by good farm land whereas we have much more marginal land than the cities have.

Mr. Eakins: Your worship, just a couple of quick questions. Do you have sufficient serviced land in Hanover?

Mayor Fisher: Do we have at this time sufficient serviced land? No. We are attempting to obtain land to service for industrial purposes.

Mr. Eakins: Are you aware there has been a change in the last few weeks through the Ministry of Industry and Tourism opening up all Ontario to the industrial parks program which previously had been available only to eastern and northern Ontario? This is now available, I think, at least for the next year or two to all Ontario and it might be an area you want to look into.

Mayor Fisher: Yes. We will be looking into that. It can be of great benefit to municipalities in obtaining land banking.

Mr. Eakins: Secondly, in looking to the future and some suggestions which have been made in regard to some community responsibility, do you feel that there is some merit in seeking support through--I am sure your municipality is a member of the Association of Municipalities of Ontario. Perhaps this might be a place where municipalities such as yours and my own, the town of Lindsay, and others affected might spearhead some involvement, through the association, to give their endorsement to some community plan to show responsibility to communities that get into trouble in this way.

Do you see this as a possibility of bringing extra force and influence to bear on the problem, especially in looking to the future?

Mayor Fisher: Yes. Of course, we can make representation at the annual meeting, present motions, asking for the support of the AMO and other organizations that we belong to. Of course, the bigger the organization, the louder the voice. If it is one community asking for one thing, you have far less chance of obtaining it than you do if you are able to convince an association such as the AMO to take up your cause and agree with it; and then approach senior governments on it. Yes.

Mr. Eakins: It might be a thought to start with the small urban municipalities of which you probably are also a member, which is part of the umbrella organization. I think it is something to look into the possibility, because the more weight and support you get, the more government will give consideration; because they take a look at how the municipalities feel about it. This might be another means of getting added support to show some responsibility in whatever way it might be.

Mayor Fisher: I feel other ideas could be discussed; some sort of incentive. I hesitate to sit here and suggest that provincial governments provide incentives and funds and everything

else, because it seems that the only time people like ourselves ever get down to Queen's Park is when we are asking for something. And I do not want it to seem that way. But we would like to think some consideration could be given to provincial government incentives for industry to locate in smaller centres rather than around the larger centres.

I think it has more of a good impact on a smaller community. I look at it that we attracted industry a few years back and maybe they set up shop and I think they employed seven or eight people now which, to the city of Toronto, would mean absolutely nothing. To the city of Kitchener it would be next to nothing, but to Hanover it is important because it is starting to grow; and now they are into 30 or 35. In my estimation that is far better than bringing in industry that is going to employ 500 people right off and create some sort of horrendous turmoil.

Mr. Eakins: We share the same problem.

Mayor Fisher: But if there is some sort of program under which we could attract smaller industries to smaller centres it will provide really good benefits.

Mr. Eakins: A few employees mean a great deal to a community your size. I would agree with you.

Mayor Fisher: That's right. And this is why, in this particular case, 100 employees out of a job has a very great impact on Hanover. Once again, that in itself in Toronto or Kitchener would have absolutely no effect at all. They would find some place else. But we may have a problem, indeed, finding employment for 100 people.

Mr. Chairman: Mr. Mayor, on behalf of the committee, thanks very much for coming, on short notice in particular. We have covered a broad range of topics.

Mayor Fisher: Thank you very much, Mr. Chairman and members of the committee, for allowing me to speak before you. I certainly wish you well in your discussions. I would hope something can be recommended to government that will be of benefit to ourselves as a community, and certainly to the employees of Heintzman. Thank you.

3 p.m.

Mr. Chairman: Thank you again very much.

I would like to call the gentleman from the International Woodworkers of America. Is it Mr. Harold Sachs? And Harold, you have been here before, I know, other than this morning. I wonder if you would just be kind enough please, when you are prepared to begin, to identify yourself for the record, and your colleague; is it Mr. Perry? Mr. Lorne Perry.

You know the drill. We are at your disposal; if you have an opening statement followed by questions that would be helpful from our end.

Mr. Sachs: I am a representative with International Woodworkers of America and Lorne Perry is the plant chairman of the union in Heintzman Limited.

Mr. Chairman: Do you have an opening statement?

Mr. Sachs: No, there is not much I can add. Mayor Fisher has pointed out pretty well everything that I would want to say. As far as the union goes, we feel that the plant closed down due to bad management. Also, the imports played a big part in it. When I say bad management, I would have to blame the top because they are the ones that hire the supervisors and so on down the line. And I think will Lorne will bear me out on this, that those are some of the problems in Heintzman.

I think if something was done there with the management and some other money put back into it, I am quite sure that plant can operate; in fact, I am sure it will. Because the employees are all there ready to go back. Some of the employees have been hired in a couple of other plants in Hanover, but they are all there yet, and there would be no problem whatsoever in getting skilled help.

I know there was quite an argument here this morning about the \$6 mark for skilled people. Well, most of the plants up there are around that figure, and there are a lot of skilled people. So, other than that, I don't think there is much I can add. Lorne is more involved in the plant. He knows more about what went on than I would so I would like Lorne to say something on it.

Mr. Perry: I am one of the employees affected by the plant closure. I have been with Heintzman's for 12 years and as shop chairman for just about 12 years with the union. I have another worker here with me today. He is also the steward with the union at Heintzman's.

We had a pretty good cohesion between management and union at the plant. We were getting along quite well, and I did just about every operation in the plant. And also I delivered the pianos, truck driver.

You were talking about a viable operation; there is a market for our pianos because I have met with and I have been to dealers right to the west coast delivering pianos and the Heintzman name means good quality. I know, I work on them and we build them. And to let a piano firm of a well established name and quality go down the drain--well.

Speaking for the employees, I am not concerned about one, I am concerned about the whole works. We have also blind people who will not find any other employment in the area, because they are piano tuners, and Heintzman's was the firm that hired them. And there are other people there who are just trained to do piano technician work, and they are qualified people.

Sure it's an impact on the community. We have people there who are living five, six, seven weeks ahead of their paycheque, and it's hard, even with unemployment insurance, to pay mortgage payments and everything else, because I am also the unemployment

insurance officer and workmen's compensation officer for Local 2500. We are having our troubles with the unemployment insurance sure, but it's just a real kick in the ass, that's all, to see this place go down the way it has without the help of the Ontario government or the federal government foreseeing this.

Mr. Chairman: The question about the viability of the plant came up several times earlier this morning. Also, today and a lot since this committee has been sitting in the last two or three weeks, a variety of phrases all meaning the same thing has come up: the collective responsibility that the community has, with the government as part of that community, the employer as part of that community, and the employee. Last night there was a brief reference made--actually, by me--to the use of pension moneys by the labour leadership in the United States and in Canada and alternative uses for that money in investments that would be of a social nature.

I would like to direct this to Mr. Sachs, although Lorne Perry may participate, but I ask this more in the context of your role with the International Woodworkers of America. Have you thought about this? As we pursue this general area of funds coming from several related sources, is there a role for union moneys in this kind of small-community, small-plant closure? Is it something that could be considered--not solely, but as an ingredient, one of three or four?

Mr. Sachs: The only part that could be considered would be from the employees themselves.

Mr. Chairman: Actually, the employees could conceivably look at this plant with the objective of purchasing it with assistance from a variety of sources.

Mr. Perry: Yes. We were approached that way too. We are on a committee with a Mr. Robbins, a Canada Employment and Immigration manpower consultant. He advised us that there are provincial and federal funds now, up to 75 per cent.

Where the hell was all this money before to help the company when it was struggling to make ends meet? All of a sudden there is money coming out of the woodwork to help us, with the understanding that the other 25 per cent be picked up either by the employees or other sources in the community who might buy the operation--say, another company.

Sure, it is a good thing, but we have employees in that plant and they have to live six or seven weeks or even months ahead of their paycheque. It is not a big community, but that is their bread and butter and I guess this is the second last piano company in Canada. If they go down and then Les Pianos Lesage in Ste. Therese goes down, hell, the Japs and everybody can move their products in with no tariff implications whatsoever--which they are doing now. They are flooding the market and cutting prices.

It is a hard question to answer.

Mr. Sachs: If I may say so, there may be a lot of junk on the market once that happens.

Mr. Perry: We are quality craftsmen. We take pride in what we do. It is not like this crap that is coming over.

Mr. McKessock: It was mentioned that management was a problem here. Do you feel the individual productivity was good? Was it that the production techniques were not brought forward by management? Is that what you mean, partly?

Mr. Perry: Partly, yes. The top management in the plant and the union and the employees got along just like a family, more or less. There were 90 guys hired. But then there were some other people. I am talking about a supervisor or a foreman who does not know a hell of a lot about anything. They were there and just screwed around and blamed it on the working guy, like us, the hourly-rate guys.

As a shop chairman, I had to point this out on many occasions to the management. It was getting around to finding out the faults itself and was looking around for different individuals to replace, probably, those people in certain operations. Every company has its faults.

3:10 p.m.

Going back further, half the imports, 60 per cent of the material--it is not an assembly. You were through the plant. You saw the technique and everything that went into it. It is just like a car. In the woodworking industry we just get the raw lumber and everything is turned out. We have to buy the pins, the steel--it is not a steel-making place--the wire and everything else.

I guess in a way it is an assembly plant, but there is a lot of technique and craftsmanship that has to go into that piano to make it what it is supposed to be. When you start at the machine shop and say, "That's a piano"--well, it is not a piano until it is all tooled and everything else, at the end of the assembly line when it is going out the door.

Mr. McKessock: Is there any piecework?

Mr. Perry: No.

Mr. McKessock: Any incentive for a certain amount of production?

Mr. Perry: There was, but we got rid of it. We still have the incentive program at Peppler-Sklar. We are working at Heintzman on a safety scale. Our guys are all safety conscious. We feel that if you force them to work beyond their capacity, they are going to end up getting injured or the product is not going to be any good.

Mr. McKessock: I worked at RCA in Owen Sound for a few years on piecework. I liked the idea of piecework, but that plant

sits empty now too so I guess it did not help keep it alive.

Mr. Chairman: I have one last question and then Mr. Mackenzie has some questions. If this came up this morning, I confess I missed it, but has there been a serious opportunity presented to the employees to look at buying this firm? Is that now part of the possibility?

Mr. Perry: Not really, no. Mr. Robbins from Canada Employment and Immigration sort of directed us that way if we felt we could do it, on a consulting basis, but on the understanding that another company was interested in buying into Heintzman and taking over the operation as a piano industry.

We have people there who do nothing else but manufacture pianos. They have to work on the interior of the piano. They do not know the first thing about going out and making a dress or anything else. They have to be trained in that field. The blind guys are the same. We have blind guys there who do absolutely nothing else but tune pianos. That is the main point there.

Mr. M. Davidson: A supplementary, if I may: You mentioned earlier that in your view part of the problem was in the secondary management level--from supervisor to foremen. Were these people drawn out of the work force?

Mr. Perry: Not out of our plant, no. They may have come from another plant with the woodworking industry, like Peppler.

Mr. M. Davidson: But they had not necessarily come through the process of the Heintzman organization.

Mr. Perry: No.

Mr. Mackenzie: How many blind tuners are working there?

Mr. Perry: When the operation shut down there were two, but we had as many as eight in the plant at one time.

Mr. Mackenzie: I gather that most of your employees have been laid off for some time. When were they first laid off? Was it back in July?

Mr. Perry: We had some laid off back last January. There was a problem with material flow. They were on strike in the United States. They could not make the plates and get them through customs on time, so we were a little slack. They were laid off a bit. I think the first major layoff was in January 1979.

Mr. Mackenzie: Did you have more layoffs again in July?

Mr. Perry: Yes, in July.

Mr. Mackenzie: How many at that time were laid off, the majority?

Mr. Perry: This year, 1980? The majority of the people were laid off the first part of July.

Mr. Mackenzie: That left you with how many in the plant at that time?

Mr. Perry: I think there were 15 of us left.

Mr. Mackenzie: How many of the people who were laid off, either back in January or in July, found other employment?

Mr. Perry: Maybe about 12.

Mr. Mackenzie: You are telling me that out of 80 people roughly 12 found other employment.

Mr. Perry: Yes, then, but now there are a few people getting part-time jobs. I would say on the average right now maybe 20 people have different positions. With the understanding and the hope that Heintzman gets rolling again, they are going to come back.

Mr. Mackenzie: Most of them are still hoping to protect what investment they had in the company, but no more than 20 out of roughly 80 people have found employment, either full or part time.

Mr. Perry: That is right.

Mr. Mackenzie: Has there been a manpower adjustment committee set up?

Mr. Perry: Yes.

Mr. Mackenzie: It has had no more success than that at this time, or has it just been set up?

Mr. Perry: It has just been set up. We have had, I think, one meeting.

Mr. Mackenzie: Do you see the possibility of very many of them being relocated locally?

Mr. Perry: No. Like I said, if the Japanese get on the bandwagon and start making furniture, hell, they might just as well lock up Hanover. That is all there is to it. If the American and Canadian dollar ever become equal, the town would be dead.

Mr. Mackenzie: In other words, if we do not have some government involvement or protection, we are in trouble in the industry.

Mr. Perry: That is right.

Mr. Mackenzie: It is a question of what we are going to pay for the jobs or the people.

We had a fair bit of discussion this morning and I know you were here. What is your reaction to Mr. Heintzman's comments which, while guarded, admitted they had management problems but

which also did not rate the skills of the workers very highly?

Mr. Perry: It is just like any other industry. We have a lot of new employees with one, two or three years. It takes an average amount of time to train anybody in the piano field, just like anything else. Mr. Heintzman has only been with the firm two years, and, sure, he has found a few faults in the place. There are a few guys screwing around, I admit. If the man sees the foreman screwing around, he is going to take advantage of that too. Do you understand?

Mr. Mackenzie: But there is, in your opinion, the expertise or skill among the workers. In that field they are really artisans or skilled workers.

Mr. Perry: Yes. Otherwise Heintzman would not have been in business as long as it has in Hanover.

Mr. Mackenzie: Are the wage rates as stated, in the \$6 to \$6.30 an hour range?

Mr. Perry: Basically, yes.

Mr. Mackenzie: Are benefits just average?

Mr. Perry: No, we are comparable to the rest of the plants.

Mr. Mackenzie: In the area? In the area, the average is roughly the same. Are pensions totally inadequate?

Mr. Perry: Our pension is a little bit lower than the rest of the IWA pensions. I think they are at three and a half and we are at three. We have a plant pension. We do not belong to the IWA pension.

Mr. Mackenzie: Out of the roughly 90 or 100 employees you ended up with before these last major layoffs in January and July--

Mr. Perry: It was 130, roughly.

Mr. Mackenzie: How many of them, if any, will be eligible for any pension at all?

Mr. Perry: I think there is one on pension now. He was 65 before all this took place. According to the clause of our pension plan, I think we have one or two guys up in the neighbourhood there, 60-plus, and we have one guy looking for a disability pension. I am talking about the plant guys.

Mr. Mackenzie: You are looking at five or fewer employees who qualify for any pension arrangement whatsoever.

Mr. Perry: That is correct.

Mr. Mackenzie: It certainly does not lend much credence

to the protection involved if fewer than five employees will end up with something in terms of a pension.

Mr. Perry: We will end up with it when we are 65, but it is a long way down the road.

Mr. Chairman: I do not have anyone else on the list at the moment.

I want to thank you for being here. The committee has some other matters that it has to address itself to concerning the rest of the week, but, again, particularly with the short notice, as I mentioned before to the other witnesses, and the fact that you were available all morning, it is doubly appreciated.

You know what our schedule looks like. We will likely be operating until at least February, maybe beyond that, and if you would like the opportunity to contact us again, either in writing or in person, please do so--or if there is some additional information you would like us to be aware of. Thanks very much again for your time.

The committee continued in camera at 3:20 p.m.

The committee adjourned at 3:43 p.m.

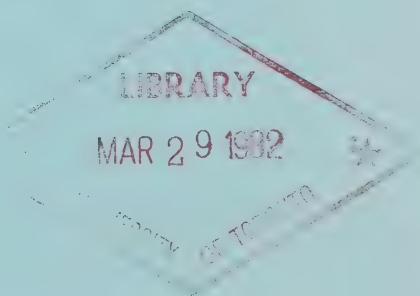
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

ARMSTRONG CORK CASE STUDY
SKF CANADA CASE STUDY

MONDAY, NOVEMBER 24, 1980



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)

VICE-CHAIRMAN: O'Neil, H. (Quinte L)

Cooke, D. (Windsor-Riverside NDP)

Cureatz, S. (Durham East PC)

Mackenzie, R. (Hamilton East NDP)

Mancini, R. (Essex South L)

Ramsay, R.H. (Sault Ste. Marie PC)

Renwick, J.A. (Riverdale NDP)

Taylor, G. (Simcoe Centre PC)

Turner, J. (Peterborough PC)

Van Horne, R. (London North L)

Williams, J. (Oriole PC)

Substitution:

Martel, E.W. (Sudbury East NDP) for Mr. Cooke (a.m.)

Clerk: White, G.

Assistant to the Clerk: Eichmanis, J.

Researchers:

Fletcher, M.

Jennings, R.F.

Also taking part:

Cassidy, M. (Ottawa Centre NDP)

Eakins, J. (Victoria-Haliburton L)

Johnston, R.F. (Scarborough West NDP)

Makarchuk, M. (Brantford NDP)

Witnesses:

From Armstrong Cork Industries Limited:

Jordin, J., President and General Manager

Manning, G., Counsel

From Peat Marwick, Mitchell and Company

Lamek, P.,

Latimer, G.,

Walker, R.,

From SKF Canada Limited:

Cumine, R.B., Labour Counsel

Pickett, J., Vice President, Marketing and Sales

Saxe, J., General Counsel

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

MONDAY, NOVEMBER 24, 1980

The committee met at 3:56 p.m. in room 151.

GENERAL BUSINESS

Mr. Chairman: I want to take a minute to do a couple of housekeeping matters with the committee.

First, two introductions: To the far left of the chairman, Mr. John Eichmanis, who has been working recently with the procedural affairs committee and who as of today is joining our committee and will be working with our clerk, Graham White. John's presence has been required because of the extra amount of work that our own clerk has been faced with in co-ordinating corporate and union witnesses to attend before our committee.

Martha Fletcher, from the legislative library staff, just next to Rick Jennings, is joining us as of today to work with Rick, again reflecting the fact that as a committee we have placed a considerable burden on our staff and our consultants. We welcome Martha to the committee. I know she and Rick together will be able to respond to the queries the committee members have given to our consultants and they will be able to continue to provide us with the packages of material which I know everybody usually gets read the night we get them.

We have before us a bit of a problem which I think we can resolve fairly easily. When the committee left last week, as you know, the SKF case study was to continue. Our plan was to continue this afternoon and carry on this evening. I just want to remind our guests in the room and the committee members that we had agreed, as a committee, that we would sit Monday nights only if the assembly sat Monday night. That is the case today, so we will carry on from eight until 10:30.

At the same time, we have the documents we requested from Armstrong Cork here today and its representative, Mr. Jordin, along with others from Peat Marwick Mitchell and Company, and legal counsel. I would make the recommendation to the committee that we begin now to hear from the Armstrong people--Mr. Jordin, his counsel, and representatives from Peat Marwick--but that we agree not to go beyond five o'clock in order that we can begin at five with the SKF management people who were requested to be here today.

Take that as a suggestion. I think it would give us a little bit more than an hour to deal with the requested material from Armstrong. But I am in the hands of the committee on that. My suggestion, again, is that we spend an hour with Mr. Jordin and that at five o'clock we hear from the SKF people as we had planned.

Mr. Cureatz: I see that Armstrong Cork is represented. I

wonder if they would acknowledge that they should attend. I am wondering about their time frame. Does anyone know? Did they just show up expecting to be questioned?

Mr. Chairman: Mr. Jordin and others could speak to this, but I think it is fair to say that they did make themselves available but that there was no time limit attached to it. They did make themselves available today with the documents they have with them.

Mr. Cureatz: Knowing the way the world in this committee--it always seems we are lacking time--I am willing to begin and have a cutoff period at five o'clock, subject to what other committee members say.

Mr. Chairman: Does that seem reasonable?

Agreed.

Mr. Chairman: If that is agreed, I would then ask you, Mr. Jordin, if you would be kind enough to come forward again.

Mr. R. F. Johnston: A point of order, if I might, Mr. Chairman. I wonder if it would be possible for us to ask the Minister of Industry and Tourism (Mr. Grossman) to come back before us tomorrow night at nine o'clock. Would that be possible? I would very much like to talk to him a little further about his answer to me in the House and a number of other things.

Mr. Chairman: I understand and we will ask the Minister of Industry and Tourism if he can be available tomorrow at nine o'clock.

4 p.m.

Mr. Mancini: Mr. Chairman, I do not want to get into a long discussion about this now, but could we bring that up again at six o'clock before we adjourn? We should hear the people who are here now without getting into a discussion on that and give every moment we have available to the people who have come to present their cases to the committee, but could we discuss that again at six o'clock before we leave for the dinner hour?

Mr. Chairman: We will speak to it before six o'clock.

ARMSTRONG CORK CASE STUDY (continued)

Mr. Chairman: Mr. Jordin, again, on behalf of the committee, welcome back. Mr. Garth Manning is with you. Mr. Jordin, is it your intention to speak first or Mr. Manning?

Mr. Manning: I wonder, Mr. Chairman, if you would just give me two minutes. Lawyers, historically, are very brief in what they have to say, and to that tradition I will scrupulously adhere.

Laughter.

Mr. Chairman: The laughter came from a lawyer on the committee.

Mr. Manning: By a Speaker's warrant of November 18 last, Mr. Jordin was directed to attend before you today and produce certain information. He will be producing and handing to you, Mr. Chairman, for each and every member of your committee, this folder which contains, as requested, an audit, the financial statement of his company in Canada for each of the fiscal years from 1975 to 1979. It will not contain any information for 1980 for the very sound and obvious reason that the company is on a fiscal year that coincides with the calendar year and such statements have not yet been prepared by its auditors.

He will not be producing the auditors' working papers. Those are the property of the auditors. The auditors are here today with their own counsel who, no doubt, will take two minutes to address you after I have finished.

I would also direct your attention to additional material in this folder which, although not called for in the warrant, is being produced voluntarily. It basically consists of an introductory letter from Mr. Jordin and then two or three pages of figures which relate specifically to the Lindsay carpet operation. Those figures have been extrapolated deliberately for your information from the combined figures of the Canadian operating company.

I emphasize that they are produced voluntarily. They are not the subject of the warrant. They will assist you, in my opinion, very greatly.

I said I would be brief. I think I have fulfilled that.

Mr. Chairman: Thank you, Mr. Manning.

Mr. Ross Walker from Peat Marwick, would it be appropriate, sir, for you to speak to this matter now?

Mr. Cureatz: Mr. Chairman, are we getting details of this? I am sorry. It looks like this is just SKF material. Is there other material?

Mr. Chairman: The SKF material that you have is for use at another time.

Mr. Cureatz: Okay.

Mr. Chairman: That came from our staff.

Mr. Cureatz: So something is coming in regarding Armstrong?

Mr. Chairman: Absolutely.

Mr. Lamek: Mr. Chairman, my name is Lamek and I am here as counsel for Peat Marwick Mitchell. Mr. Ross Walker is with me, sitting on my left, and it was to Mr. Walker, of course, that the

Speaker's warrant of November 19, 1980 was addressed. He is here in obedience to that warrant.

I should tell you, sir, and through you the committee, that Mr. Walker himself cannot be of any great assistance to the committee on this matter. He is in charge of the Toronto office of Peat Marwick and the audit for Armstrong Cork is done through the Montreal office.

We therefore arranged for the presence of Mr. George Latimer, from Montreal, who is a partner of Peat Marwick in that office and has been involved in the Armstrong Cork audit. He is here and he has brought with him six boxes of working papers--those called for in the warrant--for the financial years of the company in question.

In the light of Mr. Latimer's presence and his availability to assist the committee in whatever way he can, I wonder if it would be possible for Mr. Walker to be excused, having now appeared in obedience to the warrant but not being able to be of assistance to the committee. Mr. Latimer can cheerfully take his place, if that is the committee's wish.

Mr. Chairman: In the light of what you have said, that is reasonable. I defer to the committee on that. Is there concurrence on that?

Agreed.

Mr. Chairman: If so, Mr. Walker, thank you for your time. We are sorry to disrupt your day. Mr. George Latimer, sir, would you kindly come forward?

Mr. Lamek: One other thing, if I may: As I said, Mr. Latimer has brought with him six boxes of working papers. They contain, of course, the 1979 working papers. The 1980 audit has not yet strictly begun, although preparatory work has begun and it is important to Peat Marwick to have access to the 1979 papers.

If it is convenient to the committee, I make this offer: that the boxes of working papers be held at the Toronto office of Peat Marwick and available for inspection by any member of the committee or anyone on behalf of the committee. It might save any space problems there are here and they will be in safe keeping there and available to Peat Marwick.

If, on the other hand, it is the committee's wish that the working papers remain here, then I would ask that under the circumstances Peat Marwick be permitted such access to them as it requires for work on the current year's audit.

Mr. Chairman: Mr. Lamek, if I may just take a moment, I do not think the six boxes of material will be well utilized by this committee at this stage of the game, and I think that taking your first suggestion, that they be available if, as and when the committee can utilize them, makes more sense.

Can I just take a minute to explain, as I see it, what is

really behind the committee's request? I do not want to put words--I couldn't anyway--into the mouths of the committee members, but I think there was a genuine attempt at the outset of our hearings--and Armstrong and Mr. Jordin were our first corporate witnesses--to speak to the question of closures. Are they of a political and/or economic nature and to what extent? If those decisions are economic, how are they utilized and how do corporate people speak to those concerns?

I think that was really what was behind the request, which I know Mr. Jordin understood, and we are grateful that it was honoured the way it was.

I guess what I am saying is that there is not, to my knowledge, a cost accountant nor any expert on this committee. We are, though, charged with a clear mandate to try to speak to the question of closures, all aspects of closures, and to that extent we are in need of some guidance.

Speaking as chairman of the committee, Mr. Lamek, I think it might be most appropriate if we just allowed you to explain what is behind the numbers and interpret for the committee how the decision to close the Lindsay division was arrived at. If that is unfair to you, then we will try another way, but I think that is basically what the committee would best gain by.

Mr. Lamek: Mr. Chairman, I do not feel that is unfair to me--I regard it as rather flattering--but it is beyond my competence, I am afraid. I hope Mr. Jordin and Mr. Latimer will be able to assist the committee on that score.

Mr. Chairman: Fine. Would the black-covered booklet that was referred to be made available now or at some other point?

Mr. Jordin: Mr. Chairman, let me just read the opening statement, if I may, that is in each one of the little booklets that we have for each member.

Mr. Mackenzie: Mr. Chairman, before this is read, I wonder if I can ask a question. In view of the fact that Mr. Walker has stepped down and Mr. Latimer is replacing him, has it been the practice consistently that the auditing was done in the Montreal office?

Mr. Latimer: Yes, it has.

Mr. Cureatz: Mr. Chairman, I always find it useful to have the statement in front me. The odd time one can make notes as we go along that may be pertinent and may refresh one's memories. Is that inconvenient?

Mr. Jordin: It is a very short statement. Then I will pass it around and we can go from there, if that is all right.

Mr. Chairman: Carry on.

Mr. Jordin: In accordance with the Speaker's warrant dated November 18, 1980, the financial statements requested are

submitted herewith. I would like to make a couple of comments which will assist the committee with its interpretation.

While the warrant only requests the financial statements of Armstrong Cork Industries Limited, you will recall that in my testimony of November 12 I was quoting our Canadian carpet operation's results and Mr. Cassidy was referring to the profitability of the total Canadian company. So, although not specifically requested, we are therefore providing the carpet operation's profit and loss statements for the years in question, which are included in the total corporate figures.

We are also providing a schedule which shows the amount of interest which, for internal management reporting, is always held at the total corporate level, but, of course, for these purposes, must be allocated to the operating unit. On the same schedule, we have also shown, for purposes of consistency and comparability, the amount of period expense or manufacturing overhead which was added to or deducted from inventory in the years 1975, 1976 and 1980.

4:10 p.m.

These adjustments were included in the operating results of the business unit, the carpet operations, but in 1977, 1978 and 1979, due to a corporate internal accounting change, they were held at the corporate level.

Finally, as stated several times during my testimony on November 12, we feel that the profitability of the total Canadian company has no bearing on our decision to exit the carpet business in Canada. Just as any good businessman eliminates products that are no longer contributing, eliminates a plant which is no longer efficient, as we did in Peterborough in 1976, or an employee in a crew who is not pulling his weight, so must he eliminate a business which is no longer contributing.

I trust that this information will now enable the committee to understand the factors leading to the closure of the Lindsay plant.

I will ask the clerk to assist in passing these around.

Mr. Chairman: Thank you, Mr. Jordin.

Mr. Jordin: While they are being passed around, Mr. Chairman, I would direct your attention to the format. What we have is a tab that we are showing each year for Armstrong Cork Industries Limited, or the total Canadian company, and in it you will notice is a statement of the auditors, a balance sheet, a source and use of funds statement, a statement of retained earnings and, of course, the appropriate notes to the financial statements.

In the front, however, which I think is the thing we are here to talk about, is a summary, all on one page, of the carpet operations. We have also included the first half of 1980 as the warrant requested, even though these figures for 1980, as Mr.

Manning reported in his opening statement, have not been audited, obviously, at this early date.

If I may, I will just comment on the first page, which is the statement of income for the carpet operations for the years that were requested. Behind that is a source and use of funds statement, again for the corporate operation. On the third page is this schedule I referred to in my opening statement, which shows the allocation of interest back to the carpet operation and then the period expense on inventory adjustment at the bottom, which, as you can see, in the year 1979 added \$101,000 of profit, if you will, to the statement, whereas in 1977 and 1978, since they were held at the corporate level, it was a loss. It was not included in our operation's figures.

Mr. Chairman: Thank you for that. Members of the committee, using the material, particularly the first three pages, which would be most useful for our purposes, may have some questions.

Mr. Mancini: The only question, on the page entitled, "Adjustments to internal division results, carpet operation results"--I already apologized to you the last time you were here, sir, for not being an accountant, so I don't intend to do it again--but for 1975, I take it that means incomplete?

Mr. Latimer: Included.

Mr. Jordin: In other words, there was no need to make an adjustment because it was already included in our carpet operations profit and loss in the figure you are looking at for 1975, and the same for 1976. But for 1977, for instance, if we did not make that adjustment, the loss for that year would have been \$209,000 less. In order to make sure that each of the years are on the same basis, it was the opinion of Peat Marwick, and obviously the internal management, that they all had to be placed on the same basis of accounting.

Mr. Mancini: The large discrepancies for 1977, 1978 and 1979--is there any specific reason for that?

Mr. Jordin: They are not discrepancies. It was just that the--

Mr. Mancini: Well, differences then.

Mr. Jordin: It was felt in those years, Mr. Mancini, that the adjustment for changes in inventory levels and the manufacturing overhead thereon that is capitalized, if you will, it was an internal accounting practice to carry those strictly at the corporate level. But in the other years, 1975, 1976 and now in 1979 and 1980, we take those back to the operation.

Mr. Chairman: Mr. Jordin, I wonder while other members of the committee are looking at the results, and questions will undoubtedly come from that, if I might, just on behalf of the committee, ask you in that first page, "carpet operations results"--

Mr. Jordin: Yes.

Mr. Chairman: --if you perhaps could give us some guidance referring to the key variables there, the key numbers, the key trends, if you will, that led to the decision to close. At what point does someone who is trained, as you are, on the corporate side, making those kinds of difficult decisions that you have to make-- What are the key numbers here that trigger the kinds of decisions, sir, that you had to make? I think that would be helpful for all of us.

Mr. Jordin: I would be happy to. The key number to a businessman is the overused term, "the bottom line." In this case the bottom line, as you can follow right across, and 1975 was \$986,000 loss after tax and so on. I won't comment on each of the numbers. They are in front of you. The other thing that a businessman looks at is the return on his investment. As you can see, we have the total assets employed by the carpet operation and we are looking at negative returns in each of those years.

If you will refer back to the testimony on 1978, where I think Mr. Renwick and I were going back and forth there as to at what point was the decision made to sell it, and then at what point to close it-- You have only asked for the years 1975 through 1980 and that is what has been given, but as I pointed out, we lost in the years from 1967 on through 1974 as well.

As you can see, after a stream of losses in those years, then moving into 1975, 1976, 1977, and we are in the early part of 1978, at which point we are also losing rather heavily, it was only due to a strong second half that we were able to bring that loss down to the relatively low figure that it was. But it was in the earlier part of 1978 that, obviously, looking backwards, we said, "This is not a business in which we have covered ourselves with glory or have done very well."

More important, looking ahead to the future as to the nature of the investments that would be required to have just a mere chance at improving the return, we decided that this was not an investment that chose to make. It was at that point we thought we would try to see if we could sell it, before we decided to close the plant. It was not until the earlier part of 1980 that we again said we will try to sell it, but if we can't sell it, we will close it.

Coming back to your original question, it was the heavy losses, the negative return, and going over to the source and use of funds, the tremendous drain on a corporation of funds in a sense going out to support a losing operation. As I said at one point on the November 12, only because we were a part of the profitable Armstrong Cork Industries Limited were we able to sustain and, if you will, subsidize these losses for as long as we were doing.

I can't tell you specifically the year. I think Mr. Mancini asked a question last week of Mr. Clark, "Don't you believe that if this were a Canadian-owned, Canadian-controlled company, an integral unit, that it would still be operating?" I would say: "On

the contrary. I don't know whether it would have been 1973, 1974 or 1975; the banker would have made that decision for you. He would have been in there and he would have said, "Sorry." But simply because we were a part of a larger organization that was able to support us during this difficult period, we were able to defer a very difficult decision until the late date that we did.

4:20 p.m.

Mr. Mackenzie: I wonder why a larger organization would continue to pour these kinds of funds into it, year after year, if this is the case.

Mr. Jordin: That is a good question. With the benefit of hindsight, Mr. Mackenzie, I think each year we obviously felt that next year is the year we have to turn it around. I can only speak of the years after I came up here.

I came up in 1974. As we mentioned on November 12, we had two plants. We closed down the Peterborough plant and we were able to improve our performance to some degree. Why the corporation continued to support goes back to a statement I made on the twelfth. I think they were overly generous in my opinion. There would have been many multinational companies who would have pulled the plug on us long ago.

Mr. Mackenzie: You show additional working capital applied, if I am reading this correctly--and I confess that I have problems with the figures as well--for four or five consecutive years, and you tell us that you were losing money for years prior to that.

Mr. Jordin: That is right.

Mr. Mackenzie: Was there not a perception that this must be a money-maker? I just have difficulty in accepting that this kind of money would have been put into it for as many years.

Mr. Jordin: I can only repeat what I have just said. Back in the years in question, our charge was to see if we could not stop the bleeding--I have used that expression on several occasions--and it was certainly our hope that we could get this business into the black and achieve a satisfactory return.

Mr. Mackenzie: Why would this kind of money be put into this plant to keep it operating--as you say, probably out of the goodness of their responsible hearts? How would it compare with the kind of money that the company is now willing to put into taking care of the workers involved and those who are short on their pensions? You show an awful lot of dollars here going into what is supposedly a losing operation. What kind of money would the company put into assuring the pensions of the workers who were involved over all of these years?

Mr. Jordin: Assuring the pensions? I don't know whether you were there on the day that I testified when Mrs. Coombs was one of the cases which was cited. She was here to testify. She was with the company for 12 years and contributed to the pension plan

for 12 years. Obviously you can't contribute this amount and suddenly get a pension at age 65 or an early retirement at what we would consider an acceptable level.

But what we, as a company, have done--I am not sure came out in the testimony on either day, as I look back--is to say that if an employee was going to retire at age 55 or 56 and was eligible for early retirement-- Yes, I did testify and I used the example if they were eligible only for \$100 a month pension, but had they worked until age 65 at their present wage rate and would have been eligible at age 65 for, say, \$200, we were subsidizing that pension for the difference. In other words, anybody who is retiring early is retiring at the pension level that they would have retired at had they worked till age 65 at their present salary and/or hourly rate.

Mr. Mackenzie: Will you go through again for me the change that you had made in 1979, the change from the corporate level to the plant level of--

Mr. Jordin: The change?

Mr. Mackenzie: Yes.

Mr. Jordin: You mean the change in the accounting system?

Mr. Mackenzie: That's right.

Mr. Jordin: It was just a case in 1979 that the--no. In 1977, 1978 and 1979 they were all on the same basis. We made the change for 1980--1975-76 and 1980, as you can see, are on the same basis. In 1977, 1978 and 1979 the manufacturing overhead on inventory was carried at the corporate level. Are you asking why one was a loss and one was a gain?

Mr. Mackenzie: I am looking at the carpet operation as a matter of fact, at the moment--source and use of funds. Could you explain that first line to me, the net profit loss in 1975? I am looking at your carpet operations.

Mr. Jordin: Source and use of funds?

Mr. Mackenzie: Yes.

Mr. Jordin: Okay. And your question, sir?

Mr. Mackenzie: Why do you show a loss?

Mr. Jordin: The \$795,000?

Mr. Mackenzie: Yes.

Mr. Jordin: That is a contribution. That is the only year where there was a contribution. Let us take that year, if you will.

We had a net profit of \$443,000. We had a depreciation throw-off of \$459,000, a deferred tax adjustment of \$66,000. We

had positive cash flow of \$968,000 and, of that, there was a net addition of fixed assets of \$173,000. So we had a positive cash flow of \$795,000 in that particular year. It was all the other years that were negative, even though you are probably accustomed to looking at brackets on negative figures and the other way around.

Mr. Mackenzie: That is part of what threw me. Are you telling me then that you were not in as bad a shape in 1979 as you were in 1975 through to 1978?

Mr. Jordin: That is right.

Mr. Mackenzie: Yet 1979 is the year that you made the decision to close it down.

Mr. Jordin: No, 1980 was the year we made a decision to close it. The results you are looking at are the actual results for the first half, where we were back into a negative loss of \$105,000 after tax, and, of course, on a cash flow basis, a negative \$132,000.

What we were projecting for the whole year was a pretty poor second half. Forget the announcement. We were projecting a loss before tax. I think it was a \$650,000 loss before tax for 1980 for the total year.

Mr. Mackenzie: But 1979 was a positive year.

Mr. Jordin: Yes, 1979 was the only positive year of the ones you are looking at.

Mr. Mackenzie: When was the corporate decision made to close the plant?

Mr. Jordin: It was made in June of this year.

Mr. Mackenzie: Not until June of this year?

Mr. Jordin: June 1980, yes. In other words, we felt we had got up at this point and we were starting back down again, and, more importantly, we were looking ahead to what we could see in the industry.

I think you heard testimony from Mr. Clark--I think they were his words and I would certainly concur with him--that it is, indeed, a sick industry. There is probably twice the capacity and we were not prepared to commit the additional capital that would have been necessary to continue in the carpet operation.

Mr. Cureatz: I just have a couple of questions. The first is to the accountant, just to have it on the record. The documents we have in front of us are according to accepted accounting practice. Is that correct?

Mr. Latimer: Yes. They are.

Mr. Cureatz: I am just making that inquiry because over

the last couple of weeks we have had some testimony from various representatives of unions and employees--and probably rightly so--that there is a fear that somehow, with an international corporation involved, there can be some kind of manipulation of funds back and forth so that the final accounting papers would appear to say that a particular operation is losing funds. But in terms of accepted Canadian or Ontario accounting practices, these are the particular figures involved for this corporation right here in Canada?

Mr. Latimer: The financial statements for each of the five years have been drawn up, as we have reported, in accordance with generally accepted accounting standards, and those accounting standards would call for disclosure of any such manipulation. If there had been that kind of manipulation, it would have been our responsibility as auditors to insist that it be disclosed in the financial statements.

4:30 p.m.

Mr. Cureatz: Mr. Jordin mentioned that since it was a large company there was support over the last three or four years from the parent company. Would you be so kind to point that out? Does it show up in these statements?

Mr. Latimer: No. What has to be understood is that the carpet operation is a division of Armstrong Cork Canada; it is not a separate legal entity. When we are looking at the accounts, we have a carpet plant in Lindsay and a much larger flooring plant in Montreal. In effect, the flooring plant in Montreal has been carrying the investment in the carpet operation since Armstrong went into the carpet business.

Mr. Cureatz: I am trying to get at the particular loss. I mean, when the cheques are being written out to pay the employees and the taxes and what not and you do not have the money, you have to get the money from somewhere so you get it from the Montreal branch.

Mr. Latimer: That's right.

Mr. Cureatz: But the accounting papers do not show that.

Mr. Latimer: I think if you look at the financial statements of Armstrong Cork Canada Limited, you will see that--

Mr. Cureatz: Where can I find that?

Mr. Latimer: December 31, 1979; the second page is a consolidated statement of income. That is in our financial statements--not ours, but the ones on which we have reported. The second sheet is a consolidated statement of income and shows that in that year Armstrong Cork made in Canada a net income of \$3,695,000. It is the second page of the financial statements for the year ending December 31, 1979.

Mr. Cureatz: Then where would Armstrong Cork in Lindsay appear here?

Mr. Latimer: It is part of those figures.

Mr. Cureatz: So it is a combination of cost and expenses, cost of goods sold--all wound up together?

Mr. Latimer: Yes. In other words, if you look at the carpet operation results for 1979, you see that net sales are \$19,052,000.

Mr. Lamek: Mr. Latimer is referring to the first schedule right at the beginning of the book.

Mr. Latimer: That \$19,052,000 is part of the \$58,894,543 net sales shown for the company as a whole. In the same manner, all the other figures are part of the figures for Armstrong Canada.

Mr. Cureatz: Then, in regard to the consolidated statement of income for the year ending December 31, 1979, if there was any kind of--well, I use the term "manipulation," but I mean a recognition that the parent company was taking out funds somehow, and then saying that Armstrong Cork in Lindsay was losing money, it would have to appear somewhere in here.

Mr. Latimer: No, it would not appear in these financial statements because as I said, it is all one company, really. What Mr. Jordin has tried to do in these results of the carpet operation is to show the contribution made to the total Canadian operation by the carpet operation. But this is an integral part of the financial statements on which we have reported.

Before coming here, of course, I checked to see that these numbers are the numbers that are shown by the company's internal management reports, which, of course, add up to the numbers on which we have reported for the company as a whole.

Mr. Cureatz: Thank you, Mr. Chairman.

Mr. Chairman: Thank you, Mr. Cureatz. Just a reminder: It is about 25 minutes to five and I think the committee was anxious to turn to the SKF people by five. I have Mr. Mancini, Mr. O'Neil and Mr. Eakins on the list, and Mr. Cassidy.

Mr. Jordin?

Mr. Jordin: I was just going to say that I think last week, on November 12, someone implied that on occasion some companies tend to load up their foreign subsidiaries to make them look bad, if you will. I think that is the essence of what Mr. Cureatz was driving at.

I think, number one, that Mr. Latimer has answered the question properly: that did not happen. Secondly, bear in mind that you have some pretty sharp folks in Ottawa in Revenue Canada, and they want to get their fair share of tax revenues, so even if we wanted to play games and load up the Canadian operation and make it look bad so we could justify closing it, we could not do so.

Mr. Cureatz: I was trying to emphasize that too in talking about accepted accounting practices. Thank you for the clarification.

Mr. Mancini: Mr. Jordin, when you were before us some time ago, you mentioned that the Armstrong plant in Lindsay was required to pay approximately three quarters of a million dollars per year in service charges to the Montreal operation.

Mr. Jordin: Let's see how close I was.

Mr. Mancini: Could we have those figures pointed out to us as they appear in these statements, so we could get a better handle on that?

Mr. Jordin: I guess I was high, Mr. Mancini. As you can see, the general administrative expense there for 1979 was \$621,000. I told you off the top of my head I thought it was three quarters of a million. It only seemed like it was that much when I was paying the bill.

Mr. Mancini: It was more than that in 1977, so maybe you took an average. Can I ask your accountant what those charges were for specifically, those general administration charges of \$621,000 in 1979, \$582,000 in 1978, \$803,000 in 1977, \$842,000 in 1976, and \$613,000 in 1975? Could you explain why there would be such a high fee? What services were rendered for that?

Mr. Latimer: I am sorry, but I believe there is a bit of a misunderstanding here. As I understand it--and I am not the company's accountant; I am only the company's auditor--there is no fee being charged by Montreal to Lindsay.

What happens is that, in an effort to save money really, the operations of the two companies are centralized to the greatest extent possible. For instance, there is one general ledger for the company and it is maintained in Montreal. Most of the accounting for the Lindsay operation, other than strictly the plant accounting, is carried on in Montreal. There is a tremendous number of management duties and responsibilities that are carried out by the Montreal office.

This is not really a fee that is being charged. This is a distribution of the appropriate charges caused by the Lindsay operations.

Mr. Mancini: I do not want to complain about your answer, but could you please be a little more specific?

Mr. Jordin: Let me just elaborate on that. One large element of the expenses is the data processing; in other words, the large computer, the key-punching, the programmer, all that effort. They sit down and say X per cent of the effort in the data processing area is to support the carpet operations in Lindsay. That is a large part of it.

We have accounting personnel, we have billing personnel, we have credit people in Montreal, we have transportation personnel,

we have personnel types, employee relations people in Montreal. These people are all staffed in Montreal, but supporting the carpet operations in Lindsay; indeed, throughout Canada. As I also mentioned, the cost of yours truly is also in that figure.

Mr. Mancini: Then what you are telling us is every service that was provided for Armstrong Cork in Lindsay would be figured out on a cost-time basis, how many employees it took, et cetera, and then it would be calculated and they would say, "We spent so many man-hours doing this amount of work for Lindsay, and therefore we are charging you so much money."

Mr. Jordin: That's right. Each year we have a little prayer meeting where we say, "That cannot be," and everybody, like me, is trying to get that figure down a little lower. But it is like a balloon: You squeeze it here and it pops up over here.

4:40 p.m.

Mr. Mancini: I would like to go back to the page entitled, "Carpet operation results," and your profit and loss after tax. It appears to me that there was quite a dramatic turnaround in the company's operations as far as profit is concerned from 1977 to 1979. In 1977 it appears you lost \$1,183,000? Is that correct?

Mr. Jordin: Yes.

Mr. Mancini: And then in 1978, the loss was \$227,000?

Mr. Jordin: That's right.

Mr. Mancini: And in 1979 you showed a profit of \$443,000. So in a period of two short years you turned the company's position around by almost \$1.6 million.

Could you explain to the committee how this was done? Was it done because you had more orders to fill? Was it done because you were able to cut some of your costs? Or was it because they gave you a free hand for two years and you were able to turn it around by yourself?

Mr. Jordin: I cannot say that there was any one thing. Number one, closing down the Peterborough operation in 1976, and getting that millstone from around our neck was a major step.

Mr. Mancini: Are you telling us then that the Peterborough losses are included in these carpet operation results?

Mr. Jordin: Yes, as long as we had them in 1976. These statements are the total Canadian carpet operation, and in 1975 and 1976 we were still weaving. We had two plants in there.

Mr. Mancini: But we can see the results of that because you dropped your loss by about \$400,000 in 1976 to 1977.

Mr. Jordin: That's right. So that was one big step. But in 1977, as I think I pointed out last week, we still had that

decrepit old Peterborough plant and we had a lot of idle plant costs in the plant. All we were doing was stock dyeing fibre for transfer to Lindsay, and we were also manufacturing some samples.

So we were successful in May of 1978 in finally selling that Peterborough plant and transferring those operations over to Lindsay when we were able to buy the Glendon Valley plant across the street from our main plant. And through the consolidation of manufacturing operations in Lindsay, that is another reason why we had substantial improvement going from 1977 to 1978. And, without boring the committee, I think there are some other things that we did of a positive nature. We got a carpet line that was a little more current, properly coloured, styled, priced, and of course that helped our sales in 1978 as well.

Mr. Mancini: Did your personnel department hire more employees to work in the plant from 1977 to 1979?

Mr. Jordin: From 1977 to 1979? No, I think that is another reason why we were able to show the kinds of results we were getting. We were getting more sales, more productivity out of fewer people.

Mr. Mancini: I am having a little bit of difficulty understanding this. Not taking into account the years 1976 and 1975, because we can already see, from your testimony, that for the year 1977, the elimination of the Peterborough plant has eliminated some \$400,000 loss, but strictly dealing with the years 1977, 1978, 1979, you turned your profit picture around from an almost \$1.2 million loss to an over \$400,000 profit, which is a turnaround of approximately \$1.6 million. And you did this without hiring more personnel, which could mean that possibly your production of carpet did not rise substantially. So how were you able to get your costs per square yard down sufficiently in order to make such a dramatic turnaround?

Mr. Jordin: I think probably a simple way to look at it, Mr. Mancini, is to look at some of the elements of expense. Let's compare 1977 to 1978 on the top sheet. We have almost 200,000 more yards, but we were able to increase our sales by \$1.6 million, right, going from \$15 to \$16 million. More importantly, the margin on those sales--

Mr. Mancini: Excuse me, Mr. Jordin, but your units sold in 1978--

Mr. Jordin: Were roughly 200,000 more.

Mr. Mancini: On a percentage basis, how much would that be? It does not appear very large and certainly not as much production as you did in 1976.

Mr. Jordin: But, again, we had the woven units in there, in 1976.

Mr. Mancini: But we have already attributed a \$400,000 cost to that.

Mr. Chairman: With respect, Mr. Mancini, you have made the point and I think you have made it well, but let's exclude the 1975-76 giving the Peterborough plant, and so on; because you stated as clearly as anyone could the 1977-78-79 and I think Mr. Jordin is attempting to answer in the context of those three numbers.

Mr. Mancini: Fine, Mr. Chairman.

Mr. Jordin: Okay, let's talk 1977-78. Obviously, we had a stronger, better product line in 1978 than we did in 1977. As you can see, we had a 27 per cent margin versus a 25 per cent margin on those sales. So, of course, there is \$600,000-odd more margin we had to work with.

If you move down to the next line, the manufacturing period expense, that is the overhead in the manufacturing operation. We were able to cut that down by \$200,000-odd. We spent less in advertising and we shaved the administrative expense down.

You put all those together and you have the swing from 1977 to 1978 that you see before you.

Mr. Mancini: I wonder if I could ask the auditor; just speaking strictly with figures that were made for your information or for your disposal to do whatever you had to do here. To what specifically would you attribute the dramatic change, as far as the change from the figures in 1977 to 1976 is concerned, where we see a change of almost \$1.6 million from a loss to a profit? Would you attribute that strictly to cost-cutting measures, by figures which have been placed at your disposal? Or would you attribute that to excess sales, or more profit per yard?

Mr. Latimer: All of those things. I can only talk from the numbers I am looking at to answer your question. I see that the number of square yards produced hardly moved during those years.

Mr. Mancini: You see, that is what concerns me the most. The number of square yards produced is almost the same; there is not very much difference percentage-wise. I still cannot figure out.

Mr. Jordin: We got more money for them.

Mr. Mancini: Yes, but your costs increased. Didn't your costs increase?

Mr. Turner: The general administrative expense is down though.

Mr. Jordin: Manufacturing overhead was down; administrative expense was down; advertising was down; we had a stronger line. So we were able to get more dollars per square yard for the product and, thus, more margin dollars. In other words, two points of margin--25 per cent to 27 per cent--amounts, as you can see, to \$638,000.

Mr. Makarchuk: Just one supplementary here: Were your depreciation costs part of your manufacturing expenses for bookkeeping purposes?

Mr. Jordin: Yes.

Mr. Makarchuk: I see. And, in fact, it is not just simply a matter of cash flow; it is a matter of bookkeeping entry?

Mr. Jordin: That's right.

Mr. Makarchuk: And, therefore, your manufacturing expense figures in relation to actual cash flow are not an accurate indicator of the internal operation, then, are they?

Mr. Jordin: You mean because of the depreciation factor?

Mr. Makarchuk: Yes.

Mr. Jordin: All I will say is depreciation is a real cost. It just does not happen to be a cash cost.

Mr. Mackenzie: Was productivity up in that period at all? You did not hire any more people, you were saying.

Mr. Jordin: Yes. That is what I was saying. We were able to spread more units, more sales dollars over fewer people. When I say people, a lot of the people were not necessarily from the bargaining unit. I got the old hatchet out and was able to cut back salaried people and staff and operated with fewer people in the field.

That is the only point I was saying, Mr. Mackenzie. Your question earlier was obvious, "Here you get to 1979 and you make a profit and then you pull the plug on it."

Mr. Mackenzie: I think my colleague has been pointing out too that the turnaround started a year or two earlier and it is a fairly substantial turnaround in terms of your figures here.

Mr. Jordin: Yes--

Mr. Mackenzie: You end up for the first year with a profit in 1979 and yet in 1980 you are closing the plant down after years of losses.

4:50 p.m.

Mr. Jordin: That's true, but all I am saying is that if you look at a four per cent return on the total assets--you know what the cost of money is today--I think around the table we could all find a number of investments where we could do a little better than four per cent on our investment.

As I said on November 12 in my testimony, we are operating in an industry where I could not guarantee my management we could do appreciably better than that. In the industry in which we

operate, there are many folks with whom we compete who have a larger market share--

Mr. Mackenzie: (Inaudible) you were showing a 12 per cent--

Mr. Chairman: Mr. Mackenzie, that is the third supplementary. With respect, I am preoccupied, as the committee would have me be, with the time and with the SKF people who are to speak. We have 11 minutes to go and we have four people on the list. Mr. Mancini has one more question and then Mr. O'Neil is next.

Mr. Cureatz: Mr. Chairman, there was a comment last meeting about dividing up the time. We should have mentioned that at four o'clock. It would have been useful.

Mr. Chairman: I have been doing that.

Mr. Mancini: Mr. Chairman, I do not want to take any time away from the other members of the committee who wish to ask questions, but if you will permit me one last question, I will be all done.

I do not recall, Mr. Jordin, from your testimony when the thought of phasing out the operation in Lindsay actually occurred to the management, either the management at Lindsay or the management of Armstrong Cork for Canada or the management of Armstrong World. When did that thought occur to the management and possibly have discussions follow?

Mr. Jordin: As far as actually closing it or selling it, because we went back and forth on this the other day? We tried to sell it in 1978.

Mr. Mancini: Okay. Thoughts for closing and/or selling: When was the seed planted?

Mr. Jordin: In 1978.

Mr. Mancini: Early, late, middle?

Mr. Jordin: Early 1978.

Mr. Mancini: In January?

Mr. Jordin: Say March.

We engaged the services of an investment house to see if we could, on a confidential basis, sell the operation. Of course, there were no buyers. It was earlier this year, 1980, looking ahead, we said: "Here we go; we're going back down into heavy losses, looking ahead at a three per cent growth industry for the next five years with costs increasing at a double-digit rate. This is not a business that we want to continue in. The return on investment simply is not there."

With all the great things that we accomplished, relatively

speaking, we only have got the business to a four per cent return in 1979.

So it was in early 1980 that we said: "Let's go public with what it is we are trying to do. Without trying to sell a business and keep it a secret, let's let the world know." So we decided to make the announcement and did make the announcement in July to try to sell the business. Of course, we have been trying to do so since that time. No buyers came forward and yet, at the time of the announcement, we said, "One way or another, we are not continuing in a business that has drained us," for as long as you can now see yourselves.

Mr. O'Neil: You have given us the consolidated financial statements for all your operation in Canada--

Mr. Jordin: Which was requested in the warrant.

Mr. O'Neil: I appreciate the information you have given us here, but could I ask, is there a statement as such that pertains to the Lindsay operation?

Mr. Jordin: That is what you are looking at, the first sheet.

Mr. O'Neil: Well, it's a total of that--just so that we could see certain particulars within a financial statement. There is not a separate one for the Lindsay plant. Could I ask why you do not do that?

Mr. Latimer: As I said before, it is just one plant. It is not a separate legal entity, so there are no statements produced for outsiders. The only statements there for the Lindsay plant are for internal management purposes.

Mr. O'Neil: There is something, then, for internal management perusal within that plant?

Mr. Latimer: That's correct. And this summarizes that internal management statement.

Mr. O'Neil: Would there be a chance of getting a copy of that other internal statement?

Mr. Latimer: Oh, sure.

Mr. O'Neil: I think it would help us to understand a little better where certain of these costs are.

Also, when you talk about the consolidated statement--when I look at the figures, I go back to the 1979 and I see you have your assets of \$28 million.

Mr. Chairman: Where are you, Mr. O'Neil?

Mr. O'Neil: This is December 31, 1979. There is the introductory and then there is the first page of assets and

liabilities. There is property, plant and equipment of \$28,791,000.

Where is that spread throughout? How much of that \$28 million would be in the Lindsay plant?

Mr. Jordin: Why don't you talk about it after depreciation? Of that \$28,791,000 original cost, the depreciated value is \$11.6 million, right?

Mr. O'Neil: Right.

Mr. Jordin: Do you have that, George?

Mr. Latimer: No, I don't. But to give you an idea of the proportions, if you look at the carpet operation results--the third sheet at the very front--there is the capital employed. Capital employed there means total assets. The total company assets, \$31,790,000. Of that, \$11,110,000 is carpet operations; so, let's say, about one third of the fixed assets.

Mr. O'Neil: Then, on the other side of this assets and liabilities, you show notes payable to associated companies, \$7 million.

Mr. Latimer: That's right.

Mr. O'Neil: What would that be?

Mr. Latimer: That is notes payable to Armstrong US.

Mr. O'Neil: So, in other words, when you show on one side assets of \$28 million--and I am not an accountant--and you show loans payable of \$7 million, therefore, you have acquired assets over and above the \$7 million of that amount?

Mr. Latimer: The assets of the company are financed by \$7 million worth of notes payable to the parent company, \$20 million worth of shareholders' equity, capital invested by Armstrong US again, and \$4.5 million, at that particular date, of current liabilities.

Mr. O'Neil: You also show retained earnings of \$20 million.

Mr. Latimer: That's right.

Mr. O'Neil: How have those retained earnings been earned? They have been earned by the Canadian subsidiary or by the Canadian company, the \$20 million?

Mr. Latimer: Yes.

Mr. O'Neil: Where has that \$20 million been earned?

Mr. Latimer: What do you mean, "Where has it been earned"?

It has been earned by the Canadian operations. Armstrong has been in Canada since about 1913, I think. It is a very old plant in the Montreal area.

Mr. O'Neil: Where would your income be coming from, then, other than the carpet business?

Mr. Latimer: From the resilient flooring business.

Mr. O'Neil: Where is that located?

Mr. Latimer: Montreal.

Mr. O'Neil: So, in other words, none of this returned earnings of the \$20 million, or what you have built up in your value of the properties, appreciation-- You are just showing continual losses at the Lindsay plant. In other words, this has been dragging down and has not contributed.

Mr. Latimer: That is correct. If Armstrong had not gone into the carpet business in 1966, that \$20 million would probably be \$30 million.

Mr. Eakins: I just have one question, Mr. Jordin. You have worked your way up from 1975 to the best year, which was 1979; and then you decided to close in June of this year. I wonder if you could relate your early expansions--when you located in Lindsay, you had several very quick expansions. Could you tell us what those expansions cost and how that relates to the overall financial picture that you have presented as far as Lindsay is concerned?

In other words, you could not really expect in those early years to show a--

Mr. Jordin: In answer to your question, John, it is probably best to give you a little quickie if there is not a schedule in here. But since you have asked, I will give it to you. In other words, the subpoena or the warrant only requested from 1975 forward. But since we are talking about the total history of our experience in this business, we paid \$2,225,000 for the Brinton operation in 1966.

5 p.m.

Since that time, in the period 1966 through 1973, which were the heavy years of investment, we put in an additional \$5,610,000 in each of those early years, which are most of the expansions you are talking about. Then, in the years after that the investments were not as large; in other words \$338,000 in 1974; \$793,000 in 1975, that was a larger year, of course; in 1976, \$154,000; 1977, \$313,000; 1978, \$794,000; 1979, \$173,000, so that the total capital this company put into this business, in addition to the original \$2.2 million was an additional \$8.4 million.

On top of that we had losses that you can see which we sustained on top of that, and of course in addition there was probably, I would estimate, an additional working capital

investment over that period of time which would probably be another \$3 million to \$4 million. What I am talking about there is additional accounts receivable, additional inventories, net debt payables; there would be probably be an additional \$3 million to \$4 million there.

Mr. Eakins: That is all I wanted to know, Mr. Chairman.

Mr. Mancini: Mr. Chairman, on a point of order, I brought this matter up before concerning members of the Legislature who are not particularly members of this committee and their participation in this committee. It has already been decided by the committee that members have an opportunity to speak and ask questions in the committee if the shutdown concerned is from their particular riding. Are we now expanding that criterion for participation in this debate or are we going to maintain the policy I believe we have already established, in view of the fact that we are always short for time?

Mr. Chairman: Thank you very much. I just might say for the people in the audience and the other members of the committee who are not permanent members of the committee that at the outset of our hearings we were confronted with this issue when Mr. Eakins and Richard Johnston in whose constituencies SKF and Armstrong are located, requested an opportunity to participate, and with the concurrence of the committee that courtesy, if I can put it that way, was extended.

I am in the hands of the committee on this, but I think it is not uncommon for other members of the assembly to attend and participate at such hearings of this nature.

Mr. Cureatz: I mentioned this at the outset, Mr. Chairman. Here we are at five o'clock and in the way of the world we are still short for time.

With regard to Mr. Mancini's comment, I certainly appreciate that and remember very clearly that was discussed, but I would like to say, in recognition of the presence of the leader of the third party, if we could have some kind of loose agreement that we are not going to be going on until 5:30, I am willing to allow him the few moments time required.

Mr. Renwick: I have no need to question.

Mr. Mackenzie: I would just like to point out that I would like to get some kind of a ruling from the clerk. I think you would be setting sort of a dangerous precedent if the leader of a party was not allowed to question in one of these committees. I do not know of it happening in the five years I have been here, denying a leader the right to question in a committee previously.

Mr. Mancini: It is not just the leader, Mr. Mackenzie, it is every member--

Mr. Mackenzie: I understand that we said there was a full rein for the members involved in a riding where a plant shutdown occurs, but I am simply stating that if we are to start

the practice of denying one of the leaders the right, I think we are starting a dangerous precedent.

Mr. Mancini: I just want to know where we stand, Mr. Mackenzie. It is not just for the leader of any particular party, it is for all the members of the Legislature, and if we are going to open up the committee like this, there are possibly members who might be interested and might want to come in and pose interesting questions. I just want the committee to know exactly where it stands and where it is going on this matter of having here members who are not members of this particular committee and how they are going to participate in the plant shutdown committee.

That is the only point I was trying to make. It seems it is the will of the committee that all members have the right to come into this committee and have their names placed on the list and therefore be able to ask questions. Is that right?

Mr. Chairman: Mr. Mancini, your point is well taken. I think, as to how far the liberties extend, it is, as in other matters, something that the committee will decide.

Mr. Mancini: Mr. Chairman, with all due respect, do you not think we should decide on it in a better way than on this type of ad hoc basis? We have a particular member who is the leader of the party, fine, I respect that, I recognize that, but how would it be if, for example, Mr. Makarchuk or if someone else wanted to ask questions, or if Mr. Eakins wanted to come back and ask questions concerning a shutdown which did not occur in his riding?

Are we going to have to decide on an individual basis how long the member is going to have, what questions he can ask? Is this going to be done on an ad hoc basis each and every time this comes up, or is the committee going to try to set some kind of policy on this? I think that is a very important matter for the committee to address and also to resolve.

Mr. Chairman: I do, too. Your point, as I say, is well taken. Stop me if I am wrong, and the committee can deliberate on this now or at their convenience, but it seems to me that there are at least three guidelines which we have already operated under. One is that in the normal substitution, when a member of the committee is being substituted by one of his colleagues for a particular day or a portion of that day, such a notice is handed to the chairman.

In the second category of flexibility, as we have mentioned, each of us concurred that there may be particular members in whose constituency a closure has occurred and we extend that courtesy. The third category, if I could put it and we can decide on this, is a courtesy that we might extend to the leaders of the parties. I do not consider it to be purely ad hoc. Your point though is well raised.

If we can accept that there are least then those three categories, with Mr. Cassidy coming in the third category, we could proceed ahead. If the committee would like to formalize these arrangements--

Mr. Mancini: Those three categories are very acceptable to me. I just want to know if that is what the policy is.

Mr. Ramsay: Mr. Chairman, if you wish, I could make a motion to that effect.

Mr. Chairman: Mr. Ramsay moves that the three categories as outlined be accepted by this committee.

Motion agreed to.

Mr. Chairman: Mr. Cassidy.

Mr. Cassidy: Thank you. I raised some questions with Armstrong when you were here on November 12, 11 days ago, and I have two or three questions that I would like to raise.

First, over the last eight or 10 years what has been the investment by Armstrong US in the Lindsay carpet plant? Has there been any money come across the border from the parent company into the Armstrong carpet plant?

Mr. Jordin: I looked in my account and I say no, because the funds that I mentioned were strictly internally generated.

Mr. Latimer: That is correct. The flow is investment in Canada by the US. The flow would be an investment in Armstrong Canada by Armstrong US.

Mr. Cassidy: When was the last time such a flow took place? I cannot find it anywhere in the accounts. The only one I can find is the loan which is obviously in the course of being repaid to the parent company.

Mr. Latimer: That is exactly what I would point out, the level of the loan has gone up and since 1966, or thereabouts, Armstrong Canada, I believe, has not paid any dividends to Armstrong US.

Mr. Jordin: Is that really material? In other words, are you suggesting we are a little bit light on the \$8.5 million we poured in?

Mr. Cassidy: My second question is that the balance sheet indicates a \$50,000 pro forma investment by the parent company, 500 shares at \$100 apiece, and all the rest of the shareholders' equity is in the form of retained earnings.

Am I correct then to understand that the bulk of what Armstrong has in the Montreal plant and the Windsor plant has been financed by retained earnings, by profits which have been made in Canada on the basis of sales in Canada?

Mr. Jordin: I think that is so.

Mr. Latimer: That is correct.

Mr. Cassidy: What is the recoupable value of the \$11

million or so worth of assets employed in the carpet operations which you list in this document? How much will you get back from that?

Mr. Jordin: You mean in the liquidation phase we are going through?

Mr. Cassidy: Yes, on a liquidation basis.

Mr. Jordin: Mr. Cassidy, we cannot answer that fully because we are in a liquidation phase at this particular point. In other words, we have brokers in who will be selling all the equipment; we are going to list the property and hopefully we will find somebody to come by and buy it. Those are the major areas. There has been a cost associated with the closing, obviously, and we are not going to get full value of the inventory, as you would expect.

I honestly cannot answer the question because it has not happened yet. We are going to lose; we are not going to recover all of our machinery value. I really could not say what is going to be the result of the sale of the Lindsay plant. Obviously the economic climate is going to have some bearing on it.

Mr. Cassidy: Would I not be correct in saying that you will get substantially less than the \$11 million that you list as assets employed in the carpet operations when you liquidate?

Mr. Jordin: We will get less.

Mr. Cassidy: Therefore, when making the decision about keeping 300 jobs in Lindsay, with all of the social benefits that are entailed, we should not only look at the question of \$11 million. That is a pro forma figure which does not represent a real amount of recoupable assets in your hands of money you can get back to invest in the bank or use for other purposes.

5:10 p.m.

Mr. Jordin: What is your question?

Mr. Cassidy: You have got 300 real jobs going down the drain, but you don't have \$11 million coming back to the company; you have something less than \$11 million coming back to the company.

Mr. Jordin: That is a true statement.

Mr. Cassidy: Does the company intend to repay the \$250,000 that you got in forgivable grants from the Ontario Development Corporation in connection with the Lindsay plant in the early part of the 1970s?

Mr. Jordin: Excuse me, but that forgivable loan was granted to the Brinton Carpet Company prior to the acquisition. I can't comment on it. Perhaps someone else could speak to that.

Mr. Latimer: I cannot, offhand. My impression is it is a

grant and that certain conditions had to be met in order to earn that grant. Those conditions were met, I believe it was that the company stay in the carpet business, and I am not quite sure if it was in Lindsay or Peterborough.

Mr. Cassidy: I would assume the technical requirements, the legal requirements had been met. Does the company feel any moral obligation to repay that loan, which it either took on through Armstrong or else acquired through successor rights when the Brinton plant was acquired in Lindsay?

Mr. Jordin: Mr. Cassidy, that has not been discussed internally and I would have to look at the covenants of the loan before I could do service to your question.

Mr. Cassidy: As my final question, the accounts of the carpet operations indicate clearly that your productivity was up, it appears the manufacturing expenses-- Is that the cost of labour and that kind of thing?

Mr. Jordin: Manufacturing expenses are those elements of expense in a manufacturing operation that do not vary directly with the unit of output. In other words, they are more related to a period of time than they are to a volume; in other words, salary, plant depreciation, insurance, taxes and maintenance. They are going to be there whether you are producing three million yards or two million yards.

Mr. Cassidy: So the wages of the hourly workers are not included then?

Mr. Jordin: There would be some. Your maintenance force is in there and people who sweep floors and things like that. In other words, what we call indirect labour, if you will, which does not vary directly. In answer to your question, most of the hourly cost is up in that direct cost of sales figure.

Mr. Cassidy: Then it would appear to me from the figures that the management of Armstrong carpet just basically gave up on the Lindsay operation some time around the end of 1979. That is indicated in the fact that your sales for the first half of 1980 were sharply off.

On almost every aspect you can look at, it appears that there was no longer the effort going into the operation that there had been up until about the end of 1979. So, effectively, either then or when the decision was made to try to sell the plant in 1978, the fate of the Armstrong carpet operation was decided, even though you kept on for another year and a half and made a fairly substantial turnaround in the operation in 1979.

Mr. Jordin: The fate of the operation was decided when we looked for a buyer in 1978. If you say "gave up"--if you want to use that choice of words--I would prefer to say that we saw the investment opportunity with the returns thereon not to our liking or acceptability and chose not to support it.

Mr. Cassidy: Just a final comment then, because I know

the time is short. You obviously are not too happy with the words I have used, but the figures would indicate that long before the union or the community or the workers were brought into your confidence about what you intended to do, the decision was made which effectively rang the death knell for that particular operation and for those 300 workers. Then it was just a matter of the rest of it playing itself out, whether a new buyer was found or whether the plant was to be shut down.

That was something in which neither the union nor the community had any opportunity to participate, nor was there an opportunity, say, for government agencies, like the ODC or the Legislature, to become involved to see whether there was not some way in which this plant with 300 jobs could be maintained.

Mr. Jordin: The decision was made in 1978 that, you say, was to bring down the death knell on 300 workers. Not necessarily. The decision was made that it was a business that Armstrong did not want to be in. We still had hopes.

Indeed, we had hopes, actually until we made the decision to liquidate, that someone might come in and buy it. But obviously everybody else saw it as the same poor investment opportunity that Armstrong did. Otherwise somebody else would have waltzed in there, including the employees. They had an opportunity.

Mr. Cassidy: Did you, either through the company or through your auditors, ever make a calculation of the costs to the public in terms of unemployment insurance, family benefits, Canada pension plan and in terms of other social costs that might be incurred as a consequence of the disappearance of the 300 jobs in Lindsay? If so, can you tell me approximately what was that, and how does that compare in magnitude to the estimated savings or improvement in profitability that the company hoped to achieve from getting out?

Mr. Jordin: There were no calculations to my knowledge--unless you were party to some, George?

Mr. Cassidy: There should have been I think. That is really what this committee is all about.

Mr. Jordin: Mr. Cassidy, if after looking at this statement, and I think your colleague Mr. Mackenzie said it best very early, "How in the world did your company continue to pour that kind of money in for as long as it did?" I will say no more.

Mr. Chairman: Mr. Jordin, thank you very kindly. On behalf of the committee I express extra thanks for the way that you have responded to our request. It is very much appreciated. I also thank your colleagues for taking the time to be with us today. It has been most helpful.

I think I am correct in reflecting the committee's view with regard to the working papers, those six packages of papers, that if they are available to us at some point, and under the direction of the chairman or the clerk, if we choose to utilize it, we would

like to feel that we could, but that we don't feel we need those in our possession here.

Mr. Lamek: Mr. Chairman, they will be kept in the Toronto office of Peat Marwick. If Mr. White receives a request that they be inspected by anybody, if he would give me a call, I will make them available.

Mr. Chairman: Thank you again very much.

Mr. Jordin: I would just like to say one thing in leaving--and I assume we are excused--my concern really is as a businessman. I know that the opposition party are very sincere in thinking that they are doing the right thing, and indeed are trying to protect the welfare of the working man in this province. But it is my sincere concern that the very methods that you are prescribing to look after the welfare of these same people is in fact jeopardizing the very jobs that you are trying to protect.

Let me just quote from the Peterborough Examiner which went around to Lindsay. These quotes come from two people from the bargaining unit who just lost their jobs. One of them is the vice-president of the union in Lindsay, who said: "'Forcing the company to reopen could have a major impact on the province's industrial future. I would like to see them make companies stay open' he said, but added, 'Confining government controls would deter other industries looking for a new plant location from coming to Ontario. The short-term gains may cost the province jobs in the long run.'"

Another one from a lady with 25 years, who is worried that "Government interference in the free enterprise system could have far-reaching effect."--well, laugh if you will--"It is a difficult situation. If they are not justified in closing, they shouldn't have. But on the other hand, how can you tell a company it cannot close?" she questioned. 'What company is going to start up again if it cannot close when it wants to?'"

I would just like to say this. I hope that whatever this committee decides, that you do not hamper our efforts in selling that Lindsay plant to someone else, and indeed, the 300 jobs that you are supposedly interested in protecting. Thank you, Mr. Chairman.

Mr. Chairman: Thank you, Mr. Jordin.

SKF CANADA CASE STUDY
(continued)

5:20 p.m.

Mr. Chairman: I call the representatives from SKF to the microphone. Mr. Jack Pickett, I believe, is coming up, Mr. Cumine and Mr. Saxe.

Mr. Cumine and Mr. Saxe have been in attendance at committee meetings in the last several meeting days, and certainly do understand the format which has tended to be that at the outset of

hearing a new witness, we either hear an opening statement or a written brief is referred to. As you know, we are in your hands at the outset. May I ask how you wish to proceed?

Mr. Saxe: Mr. Chairman, if we could proceed by my identifying the three people in front of you, because not everyone in the committee knows who is who. On my far right is Mr. Robin Cumine, who is labour counsel to SKF Canada. Mr. Cumine is with the Toronto firm of McLean and Kerr. Mr. Jack Pickett, vice-president of sales of SKF Canada, is sitting beside me. As you have identified, my name is Stewart Saxe, and I am general counsel to the company.

If it pleases the committee, Mr. Chairman, I don't think either Mr. Cumine or I could say we have been in attendance so much that we are that familiar with your proceedings, but Mr. Pickett does have an opening remark.

Mr. Pickett: Thank you. Mr. Chairman, members of the committee, I appear before you on behalf of SKF Canada Limited.

Mr. Cureatz: Mr. Chairman, just before we get into that, again, is that opening remark within this bundle?

Mr. Chairman: I think not. I think the bundle that is being referred to was prepared by our consultants, our staff. Mr. Pickett, you have no written copy of your statement?

Mr. Pickett: No, I don't. But we can provide them--

Mr. Chairman: I don't think it will be necessary. I think Mr. Cureatz wondered if it was in the pile.

Mr. Cureatz: I just wondered, Mr. Chairman, I may be way wrong, but in terms of a member of the committee, I often find it useful to have the remarks in from of us. So maybe in the future the staff could acknowledge that because it is useful to jot down notes as the statement is being read.

Mr. Chairman: Mr. Pickett is very happy to provide us with a copy of the statement.

Mr. Pickett: As you know, we had originally requested an adjournment of our appearance. We did so on the grounds that many of the questions we thought the committee would want answered, regarding the arrangements made with employees being terminated, will have no answer until those arrangements are settled in collective bargaining with our trade union. While our bargaining sessions are proceeding productively and many matters have been tentatively agreed upon, the entire package of course, is not yet settled.

As you know, on October 15 of this year SKF announced the closedown of its ball bearing manufacturing operation in Scarborough. The decision to close our manufacturing facility after 30 years in the business in Canada was one that was made neither quickly nor lightly. For at least the last seven years the

company has been concerned about the lack of return on its manufacturing operation.

The problem is a complex one, but two relatively simple considerations stand out. First, Canadian tariff protection in our industry is insufficient to protect the Canadian operation from low-cost imports from such countries as Japan, Portugal, Czechoslovakia and Poland, to name only a few. And the federal government has committed itself, as a result of the Tokyo round GATT agreement, to lowering these inadequate barriers from 15 per cent to nine per cent over the next few years.

Secondly, the state of ball bearing manufacturing technology and competition today demands economics of large-scale production. The Canadian market simply does not justify locating such production here. In the last 10 years our manufacturing operation has shown a loss in six of those years, an unacceptably low profit in two of them and an aggregate loss of over \$1.5 million. Fortunately, 1979 was a profit-making year, but this was due to a local market situation that is already in the process of reversing itself.

SKF does continue to be a vigorous company in Canada. Our continuing operations in sales and service are expected to employ approximately 300 people. I personally have been with the company since its beginning as a manufacturer in Canada. I participated in the negotiations for the purchase of the land on which the plant now sits and, as a senior executive of the company, I have watched with regret as market realities led to the conclusion to terminate manufacturing in this country. But private enterprise cannot continue in a loss position and a worsening market situation.

Let me say that the shutdown did not result from any problems with our employees or their trade union. Our relationship with the union has been one we considered positive and healthy. Our wage structure, while high, has not been out of line for SKF, which has many plants in high-wage countries, and our employee productivity has been good. But without strong tariff barriers the Scarborough plant had to survive in a worldwide market situation. This it simply could not do.

Thank you for giving me this opportunity to outline the decision to you. I will be of whatever help I can in answering your further questions.

Mr. Chairman: Mr. Pickett, thank you very much. There are three members of the committee who have some questions. Mr. O'Neil.

Mr. O'Neil: Mr. Pickett, thank you very much for your opening comments. I think it was mentioned the other day that the union had approached the federal government on these tariffs. Have you also made several representations to the cabinet on this?

Mr. Pickett: I believe the last serious one, to answer your question, was in approximately 1974. The federal government was warned by us, really on behalf of the whole bearing industry in Canada, that something more substantial had to be done in that

area or there could be trouble down the road.

Mr. O'Neil: Can I ask why you have not gone back to them since 1974?

Mr. Pickett: My answer to that would have to be we have been back, but not on the formal basis of 1974. If you followed the Kennedy round of trade talks and the more recent Tokyo round, I am sure you will be aware of the fact that rather than hearing some of the information we gave to them at that time--I referred in my opening remarks to the fact that protection dropped from 15 per cent to 9.2 per cent over a period of five to seven years.

In addition to that, of course, is the fact that I think we refer to the actual bearing tariff protection as such rather loosely, saying there is 15 per cent protection for bearings. That is not really so. I think most of you members will know that historically the agricultural bearing item has been duty free; in fact, agricultural products of all kinds. In addition, the automotive free trade pact entered into the situation, further deteriorating our so-called protection.

No doubt you are aware that shortly before the automotive free trade agreement came in the bearing industry in Canada had developed a rather lucrative customer--from the production standpoint anyway--in the snowmobile business. At the time the basic automotive free trade agreement was negotiated, regrettably our negotiators did not take into consideration that the US tariff naming principle called for snowmobiles in that item without consultation with the bearing industry. Hence, overnight we lost total protection in that area.

If that is a long answer to your question, I am sorry, but that is a fact.

Mr. O'Neil: Have you any intention of going back to the federal government or the cabinet? You have made your final decision to close down. In other words, it would not matter if the cabinet said it was going to give you better protection. You would not be changing your mind. Or would you?

Mr. Pickett: That is a very difficult question to answer at this particular stage, I am afraid. I would be drawing a conclusion.

Mr. O'Neil: I suppose what I am trying to ask is if not only yourself but other parties involved, the unions and other governments--say, this provincial government--were to lobby the federal government to come up with a change in the tariffs to bring about some change for your plant that would enable you to go ahead, would you consider keeping the plant open?

5:30 p.m.

Mr. Pickett: I think anything would be considered, but at this particular stage the size of that protection would have to be so great that I cannot say.

Mr. O'Neil: If you do close your plant, would you still continue to supply your markets and try to hang on to those markets and service them from your other European plants?

Mr. Pickett: Yes, we would.

Mr. O'Neil: Have you determined whether or not you are able to hold that market?

Mr. Pickett: As vice-president of sales, I would like to say that in the affirmative, but I really doubt it. We have to wait and see what the marketplace holds for us.

Mr. O'Neil: Again, what you are saying is that with what you are producing here now it is not profitable for you to remain in the present situation.

Mr. Pickett: That is right.

Mr. O'Neil: I was quite interested by your comments. We were told by the union that there is a strong, current demand for ball bearings in Canada. You have told us that some of that is being supplied by other countries. You mentioned that you expect a reversal of the good business you had last year. Where do you see that reversal coming--in what area?

Mr. Pickett: We refer to the customer makeup of the product that is manufactured in our Scarborough plant, which is divided basically into the aircraft sector and the so-called commercial bearings sector. In the commercial bearing field, there are two major customer outlets, White Farm Equipment and Massey-Ferguson.

I think in the case of White we have rather a large commitment but no customer. Massey-Ferguson, as you know, closed without any announcement or warning--certainly not to us--and left us with a very strong manufacturing commitment and inventory, and for a period of over three months it accepted no shipments. I am pleased to say it is now back taking some shipments again but certainly not in the quantities it did prior to the announcement.

At this particular moment, in answer to your question, we see a very dramatic reversal of that business cycle.

Mr. O'Neil: It was also mentioned the other day that there was a deficit of approximately \$172 million in 1979 alone in the trade of ball bearings. Why do you feel the federal government has not given you the protection you should have? What reasoning have you been given by them?

Mr. Pickett: One of the major problems is that you do not get a direct answer to any of those questions; rather, you look at the results as they appear and assess them. Of course, the results, in this particular case, were the negotiations, as I have mentioned, under the Tokyo round that resulted in substantially less protection.

In addition to that, of course, the fair market value for

duty purposes has always assisted because it had to be value for duty or the fair market value in the country of origin. Of course, it is now transaction value. I am not suggesting that had a great impact, but it is one of those things that contributed or could have contributed.

Mr. O'Neil: Have you been to the Ministry of Industry and Tourism in Ontario expressing your concerns about this problem and asking them to do some lobbying for you to help bring about some changes in the trade deficit in your particular area?

Mr. Pickett: No, we have not.

Mr. O'Neil: Could I ask why you have not?

Mr. Pickett: The bearing industry in Canada is a very small one. We have a small association that represents us very well. We felt that direct representation to the government--with the small group we have and the numbers being as accurate as they are, it would not be a difficult thing to assess.

Mr. O'Neil: Again, with all respect, I find it very difficult to understand why representation has not been made to the federal government since 1974, or why you have not really gone as a company to the ministry here in Ontario and demanded some action for protection. As I say, it is important.

Mr. Pickett: I am quite sure it has been done, but I would have to say I am unaware that it has been done as an official act.

Mr. O'Neil: I see. I understand that the Scarborough plant had a turnover of approximately \$65.9 million in 1979, according to your annual report. How does the profitability of the Scarborough plant compare with similar SKF facilities in other countries?

Mr. Pickett: Possibly we should clarify that the numbers as shown in the annual statement are for the total SKF operation in Canada and do not show the individual Scarborough operation, the manufacturing operation, separately.

Mr. O'Neil: What percentage of SKF's sales or profits are reinvested on a worldwide basis and what percentage of SKF's sales or profits from its Canadian operation have been reinvested in Canada?

Mr. Pickett: We can refer you to the annual report, but I cannot answer you on a Scarborough basis. That can be answered but, I am sorry, I cannot answer you at the moment.

Mr. O'Neil: I wonder if that could be supplied for the committee.

Mr. Pickett: Yes.

Mr. O'Neil: I do not know whether you can answer this or not--maybe it could be supplied to us--but how much does SKF spend

on research and development annually and what percentage of that money is spent in Canada?

Mr. Pickett: I cannot tell you what the total expenditure is, the number, without looking at the financial statements. They are here. We will give them to you.

There is a very small amount spent in Canada. The SKF organization as a group, with the very high costs of R and D, has located the R and D centres--there is one in Holland for the European community and one in the United States. That is where, for all intents and purposes, 100 per cent of the R and D takes place.

Mr. O'Neil: How long have these two R and D centres been established? What I am wondering is why Canada was not chosen for one of these centres rather than the United States or Europe.

Mr. Pickett: In the case of the one in the United States, it has been located there as long as I have been with the company, and that is 30 years. In the case of the one in Holland, it is certainly in the area of 20 years, I would say.

Mr. O'Neil: Mr. Chairman, I think other members want to ask some questions. I have others but we will see how time goes.

Mr. R. F. Johnston: Mr. Pickett, I have a number of questions. Number one, is your statement available? Did you bring any other accompanying information that would be of any use to the committee?

Mr. Cumine: Certainly the statement is available, and, we hope, lots of other information of use to the committee.

Mr. R. F. Johnston: Good. I may be asking for copies of a lot of other things. The clerk will probably deliver those for you.

You said you have been with the Scarborough plant 30 years. You were there when the land was bought. How much did you pay for the 39 acres at Birchmount and Eglinton?

Mr. Pickett: I believe we have an investment in the building and the land in the order of something like \$8 million to \$10 million at the present time.

Mr. R. F. Johnston: What was the cost at the time of purchase? Do you remember? Was it about the same?

Mr. Pickett: For the building and the land?

Mr. R. F. Johnston: Yes.

Mr. Pickett: The cost of the land was in the neighbourhood of \$30,000.

Mr. R. F. Johnston: Thirty thousand dollars for the 39 acres?

Mr. Pickett: That is right.

Mr. R. F. Johnston: What is the current value? I presume you have had it evaluated, assessed.

Mr. Pickett: I think the book value of the plant and property is in the neighbourhood of \$8 million to \$10 million. I believe the appraised value of the property now is something in the neighbourhood of \$5 million to \$6 million; that is, if a buyer is available.

Mr. R. F. Johnston: Given the Direct Lumber deal on a slightly less attractive piece of land in the last little while--and, as I recall, the development there is \$35 million--I presume a buyer will not be too hard to find. It is a prime piece of real estate.

Mr. Pickett: Mr. Johnston, I was referring to the fact that there is a building on that property which might not be so valuable. It is very difficult to find a buyer for that type of building.

5:40 p.m.

Mr. R. F. Johnston: Yes. Your intention is to keep the building, as I understand it, at this point.

Mr. Pickett: We have not made a decision on that matter. It has yet to be made.

Mr. R. F. Johnston: I see. So the plan to maintain the sales outlet and the possible hiring of up to 300 people in Canada, total sales and service, I presume includes Vancouver and other holdings.

Mr. Pickett: Yes.

Mr. R. F. Johnston: Is it not decided exactly where you are going to locate?

Mr. Pickett: The locations of the various, I refer to them as district offices, of course, are from coast to coast and they are in position now. They will not be touched. In the case of the Scarborough operation, the decision has not yet been reached. It could be in the same building we are now in. It could be in a building built on the same property that we occupy. It could be across the street. That decision has not yet been made.

Mr. R. F. Johnston: Could it be out of Scarborough altogether?

Mr. Pickett: That is possible. But it is certainly not a decision that has been reached.

Mr. R. F. Johnston: The initial machinery that came into the plant, my understanding--it is pretty vague in all this--is that part of it came from Sweden, part came from elsewhere. Can you give me some breakdown of where that machinery came from and

how you received it? Were there grants available to you? What was the basic cost to the company?

Mr. Pickett: At this moment I cannot tell you what the basic cost was. I can tell you what its origin was, generally speaking. There was some of the specialized equipment under which SKF holds patent rights from our own machine tool manufacturing operation.

Mr. R. F. Johnston: Which is where?

Mr. Pickett: Which is located in Lidkoping, Sweden. Part of it came from there, part from the United States, part from Germany, if my memory serves me right. There were no government grants to my knowledge.

Mr. R. F. Johnston: Any forgivable loans?

Mr. Pickett: I am sorry. I believe Mr. Johnston's question was when the plant was first set up. There were government grants later.

Mr. R. F. Johnston: But there were no forgivable loans or anything like that to do with it in the beginning or the initial set up?

Mr. Pickett: That is right. No.

Mr. R. F. Johnston: And since?

Mr. Pickett: There was, at the outbreak of the Korean War, a request from the federal government to establish a so-called "aircraft engine bearing facility," and at that time, SKF provided the building and the government provided a number of machine tools.

Mr. R. F. Johnston: Do you remember the number or the approximate number?

Mr. Pickett: I do not remember the approximate number of pieces but I believe there was something in the neighbourhood of \$350,000 worth of equipment. I would have to check that number exactly when it is available.

Mr. R. F. Johnston: Is that machinery or part of that machinery still in the plant?

Mr. Pickett: Yes.

Mr. R. F. Johnston: The bulk of it or all of it?

Mr. Pickett: Some of it has been moved out.

Mr. R. F. Johnston: By moved out, where might it have gone?

Mr. Pickett: Sold or worn out and discarded.

Mr. R. F. Johnston: But the items that have been sold, where have they been sold?

Mr. Pickett: Some would have been sold locally. I believe when the small bearing production went out of the plant, there could have been, although I am not sure, some sold to Mexico. But I doubt very much that any of that equipment was sold to Mexico.

Mr. R. F. Johnston: It could have been but you doubt it.

Mr. Pickett: That is right.

Mr. Cumine: I think the members might like to know what happened to it.

Mr. Pickett: I took it for granted they knew. I am sorry.

May I carry on and point out the fact that SKF purchased, of course, all of that equipment from the federal government? So when it was disposed of many years later, it was SKF's own equipment.

Mr. R. F. Johnston: You purchased it over time with--

Mr. Pickett: We purchased it directly from the federal government at the time, shall we say, the heat went off the Korean crisis. They felt they did not wish to participate any longer in such an operation and they offered the equipment for sale. SKF purchased it outright.

Mr. R. F. Johnston: What was the cost of the equipment to you when you purchased it from them?

Mr. Pickett: I do not know.

Mr. R. F. Johnston: You said it was valued at something like \$350,000 at the time.

Mr. Pickett: Something like that.

Mr. R. F. Johnston: Did you pay that much for it?

Mr. Pickett: I recall that they sent in their independent machine tool appraisers and set a value on it and SKF was allowed to purchase it for that value.

Mr. R. F. Johnston: But it was your equipment at the time that you disposed of it?

Mr. Pickett: Absolutely.

Mr. R. F. Johnston: What are your plans for disposing of the remainder of the equipment, given that your plant closed down?

Mr. Pickett: There will be some equipment that will be scrapped, especially that equipment that is so-called SKF equipment. It is possible that some will be sold, in addition to

that, on the Canadian market. There probably will be some sold into the US market.

Mr. R. F. Johnston: To your subsidiaries?

Mr. Cureatz: Could I ask a supplementary on that point on the equipment? If you remember, Mr. Johnston, last time I was concerned about a follow-up to that. That was the aspect of equipment from the plant in Scarborough being repaired at a loss and then being shipped out to one of your other companies, foreign companies. Is that what is taking place?

Mr. Pickett: I am sorry. I--

Mr. Cureatz: I understood from the union representative, do you remember one of the reps who was repairing and packaging the machines? Maybe, Richard, you can help me there. You are a bit more familiar--

Mr. R. F. Johnston: Yes. I was going to raise that, in terms of the differentiation between the sales component of the company and the manufacturing component.

But as I understood it, if you would like me to carry on for you, Mr. Cureatz, there were, in the last number of years, a number of machines which were brought into the manufacturing and repair portion of the company, repaired, and then shipped off to other areas. As I understand it, the cost, therefore, of repairing these machines was charged against the manufacturing or repair side of your organization and showed as a loss in Scarborough. Is that what it is?

Mr. Cumine: If I can be of some assistance in at least locating the area in question, I think that had reference to the company's announced intention to try to continue in the machine repair area. It was that type of work that they were talking about, where they were doing machine repairs perhaps to other machinery. I think that is what you are referring to.

Mr. Cureatz: The implication was that somehow the cost of repairing the machine is deducted from the profit that the company has made, and then that machine is sold off to one of your foreign subsidiaries, and that therefore somehow reduces the balance book in terms of profit.

Mr. Cumine: My perception of what was suggested last time was that on that type of arrangement where they were repairing machinery for other people, the work time would be charged to the manufacturing end, but the profit would go to the sales end. That is how I understood it.

I think perhaps in that context Mr. Pickett can answer--

Mr. Cureatz: That is exactly what I am trying to get at.

Mr. Cumine: Yes. That is what I perceived the question to be.

Mr. Cureatz: That is your answer. You are the counsel if I remember.

Mr. R. F. Johnston: (Inaudible) that side of things with less profit (inaudible)--

Mr. Cumine: That is what I understood the perception to be. Now Mr. Pickett can tell you what actually the facts are.

Mr. R. F. Johnston: Oh, fine. Thank you.

Mr. Cumine: Because those are not the facts.

Mr. Cureatz: Have we got that nailed down now? That is how you arrange an answer.

Mr. Cumine: No. (Inaudible)

Mr. Pickett: I am not sure I clearly understand the question.

Let me explain, if I can, the intention with respect to the so-called machine tool rebuilding area. It is an art or science that has been built up in the factory over the years because of the equipment that we had on the floor in a production mode, if you wish, that needed repair, especially in rebuilding, especially in the area of so-called Acme-Gridley screw machines, automatics. The company started off in that direction to develop an operation to do that and it is the company's hope that it will be substantially expanded over the years. However, it is--

Mr. Cureatz: If you could direct your answer to the chairman so that we might all hear you.

Mr. Pickett: I am terribly sorry. I like to look at to whom I am speaking.

Interjection.

Mr. Cureatz: I just want to hear what he has to say, that is all.

Mr. Pickett: The situation is basically that the company is going to develop that particular aspect of the business and it is very early to suggest how large or how successful that is going to be.

The other area that I think you were referring to, were machines brought in from the outside and repaired, debited to the SKF Canada account in a negative way to make it a better deal for somewhere else, I am totally unaware of any situation ever occurring.

5:50 p.m.

Mr. Cureatz: And what about your own equipment there, the equipment that you had? Was it repaired?

Mr. Pickett: There are really two answers to that question. One is that it is not a company practice to so do, but the tax authorities make it absolutely impossible to transfer equipment at other than fair market value. So you might succeed for the moment in avoiding the tax man, but I can assure you, he catches up to you in the next audit.

Mr. Cureatz: So that in essence, the equipment in the Scarborough plant, to the best of your knowledge, was not repaired, and then the accounting process manipulated to the extent that the cost of the repair was deducted from your so-called profit or whatever, but then the machine sold at a benefit to another subsidiary company?

Mr. Pickett: I am not aware of any such--

Mr. Cureatz: Thank you.

Mr. Martel: Forgive me if I misunderstood you. You said the tax people would prevent you from charging something up against one operation?

Mr. Pickett: No, that is not what I was referring to, sir. I was referring to the fact that machinery must be sold at fair market value unless it is a non-arm's length transaction.

Mr. Martel: But you could not transfer--let me give you a hypothetical case. A mining company opens up a new mine. It continues to put an overabundance of mining equipment in that particular mine, and some of the equipment, without even being depreciated, shows up in another operation of the same mining company. That has been known to happen.

Mr. Pickett: I find it difficult to answer your question, but it sounds to me as if you have an asset on your books that you do not have. And that, of course, is totally wrong.

Mr. Martel: Or a charge, that you charge against something that is really not charged to the right place.

Mr. Pickett: You are in an area where, I am sorry, I cannot help you.

Mr. R. F. Johnston: Could I jump into a totally different area for a moment, and that has to do with what discussions you have had with the Ministry of Industry, Trade and Commerce federally, and in meetings with the Minister of Industry and Tourism provincially.

When did you first meet with the Minister of Industry and Tourism provincially, or his people, in terms of the decision to close?

Mr. Pickett: Possibly we should back up. The original dialogue, I believe, was about two years ago, when the ministry was informed that a decision in principle had been taken, but that no date could or would be set out.

In other words, the company was in some trouble. Over the period of time, the ministry has come forward with potential buyers, potential users of the operation. However, our closing date--if at all; at that time not confirmed at all--was so far out in the future, that it was impossible for us to enter into serious negotiations with any potential user or buyer.

Mr. R. F. Johnston: But as long as two years ago the ministry was aware of the fact that you were in difficulty in your terms, and that you may be--you would be closing. The time frame was unspecified.

Mr. Pickett: I think that the important word there is "may" be closing.

Mr. R. F. Johnston: And the reasons given?

Mr. Pickett: The reasons given at that time, the same as they are today, were that the manufacturing operation in Scarborough, over a period of 10 years, as I mentioned in my opening statement, had been operating, I think six out of eight years at a loss; two were profitable, too marginal.

Mr. R. F. Johnston: Yet a meeting, as I understand it recently, with Mr. Oakley of the federal Ministry of Industry, Trade and Commerce took place?

Mr. Pickett: That's right.

Mr. R. F. Johnston: When did that take place?

Mr. Pickett: Approximately two months ago. The exact dates could be confirmed, but approximately two months ago.

Mr. R. F. Johnston: It is my understanding, secondhand albeit, that there was no mention at all, at that time, of the tariff problem. Why was that?

Mr. Pickett: I would have to suggest, Mr. Johnston, that your information is indeed secondhand because there certainly was.

Mr. R. F. Johnston: It was not to me directly by Mr. Oakley, but the question was posed to Mr. Oakley directly by a member of the union as to whether or not that matter had been raised, and he indicated no, it had not.

Mr. Pickett: In fact the entire history of the Scarborough operation--and I was present at that meeting--was brought up.

Mr. R. F. Johnston: Can you explain to me a bit about the name of the company? It is presently SKF Canada Limited. Has it always been thus?

Mr. Pickett: No, it has not.

Mr. R. F. Johnston: I have four different names which I am just taking off various agreements with the local. I was

wondering what the significance of that fact was. It was the Canadian SKF Company Limited in 1969, 1970; SKF Manufacturing of Canada Limited in 1971, 1972; Canadian SKF Company Limited in 1975, 1976; and now, it's SKF Canada Limited. What is the significance of that?

Mr. Pickett: There is no real significance. The answer to your question can be given in detail, but it is certainly a legal one.

Mr. R. F. Johnston: I would be interested in knowing a little bit about it.

Mr. Pickett: I stand to be corrected on this when the record comes out and we will be prepared to provide it in detail. Up until 1970 the company was a wholly-owned subsidiary of Aktiebolaget Svenska Kullagerfabriken, Gothenberg, Sweden. The manufacturing division was sold to SKF Industries in the United States in 1970. As a result of that, there was SKF Manufacturing Company of Canada.

Mr. R. F. Johnston: That was a subsidiary of an American plant?

Mr. Pickett: That is right. At that time we had then SKF Manufacturing and Canadian SKF Company Limited. That carried on until 1974-75, when the manufacturing division was purchased back from SKF Industries, and the two companies were joined. We had then Canadian SKF Company Limited and SKF Manufacturing Canada Limited, and the two companies were joined as SKF Canada Limited.

Mr. R. F. Johnston: That, coincidentally, occurs around the same time approximately, within a year or so, of the last major layoff and shutdown of part of the manufacturing process in the company. Is there any connection between that event and lines that had been operating in SKF Scarborough being moved to another country?

Mr. Pickett: Yes, I think there was a connection.

Mr. R. F. Johnston: What is the connection?

Mr. Pickett: The connection is merely that as far back as 1970, this manufacturing unit was in trouble. In an attempt to secure 100 per cent interest in its product, and increasing its productivity, its manufacturing capabilities and the size of the manufacturing in Canada, it was felt that if it was sold to SKF Industries, in other words the US situation, that would be one of the ways that we might improve it.

Despite the efforts that were put in during that period of time, the tariff barrier into the United States just proved too great. So the company was purchased back from SKF Industries, or SKF Canada at the time. Coincidentally with that, the import bearing situation during that period of time, the Japanese concentrated basically in the small ball bearing field. It was in that area--I have some figures available here somewhere, I think, during that particular period of time.

Let's take from 1971 to the end of 1975. The imports of Japanese bearings alone in the particular size range that we are referring to went from slightly below \$4 million to slightly below \$18 million.

6 p.m.

Mr. R. F. Johnston: In what sort of period?

Mr. Pickett: From 1971 to 1975.

Mr. O'Neil: Could I ask a supplementary? Was that in direct competition to what you were making? In other words, was that the same type of product that you were making?

Mr. Pickett: Precisely.

Mr. O'Neil: Did you then lose with that difference of what was being imported at that time and what was being imported later on? Was that taken away from the profit that you would have been making?

Mr. Pickett: I am sorry, I don't understand the question.

Mr. O'Neil: In other words, if picked up that much of the market, you lost that much of the market?

Mr. Pickett: We lost a substantial portion of it, yes.

Mr. R. F. Johnston: Are those smaller bearings the 6200 series? You know my interest in those bearings in your present process--no, not present process; I gather it has been terminated--of importing from the United States. Can you tell me the difference between the numbers of that line that you were producing in Canada for sales in Canada--when you were producing them--and your present sales of that line in Canada, now that you are only packaging them and greasing them?

Mr. Pickett: I don't know whether I have that. During the particular period that we are talking about, from 1970 through 1974, they dropped by more than half.

Mr. R. F. Johnston: They dropped by more than half at the time you were still producing them? Is that what you are saying?

Mr. Pickett: That is right.

Mr. R. F. Johnston: But that is not what I am asking, although I would be interested to know what the figures were in terms of that drop. I am interested now in what you are selling that is not fabricated in Canada, but is packaged and greased in Canada, as compared with what we were manufacturing in Canada prior to that. I gather that move to have 6200s moved to the States was coincidental--

Mr. Pickett: I'm sorry, they were not moved to the United States.

Mr. R. F. Johnston: Are they produced in France?

Mr. Pickett: They were not moved anywhere.

Mr. R. F. Johnston: As I understood you, you produced it before, and you don't produce it now.

Mr. Martel: Who does?

Mr. Pickett: Varying SKF factories around the world. But they were always there. It was not transferred from one factory to another. Those factories producing that bearing were always there.

Mr. R. F. Johnston: And they were given your share of the manufacturing market, if you will, within SKF, in its rationalization, that you had before.

Mr. Pickett: On the condition that they could compete with the Japanese, yes. Hence the drop in the market share.

Mr. O'Neil: You couldn't compete with the Japanese in your plant?

Mr. Pickett: We could not.

Mr. Turner: May I ask a supplementary? You keep referring to the Japanese. Are they your main competition?

Mr. Pickett: They are the main competition in particular size ranges, yes.

Mr. Turner: But not overall?

Mr. Pickett: Absolutely not. There are literally hundreds of them.

Mr. Chairman: There are two points I wish to draw to the attention of the committee. Obviously that it is six o'clock is one of the them.

However, Mr. Mancini had earlier this afternoon indicated that at six or before six, he wished to speak to a matter that Mr. Johnston had raised. I would like to have Mr. Mancini speak to that now, and then at eight o'clock tonight, Mr. Johnston, Mr. Mancini and Mr. Cassidy are in that order on the chair's list to carry on the questioning.

Mr. Mancini: Are we all finished with the questioning now?

Mr. Chairman: For now we are, yes.

Mr. Mancini: We will be back at eight then I guess?

Mr. Chairman: Yes.

Mr. Mancini: The only concern I have is that I believe Mr. Johnston is requesting the reappearance of the Minister of

Industry and Tourism, and I assume this request is due to what appear to be conflicting answers that the minister gave about his particular involvement in SKF in response to questions Mr. Johnston put to him during question period.

Mr. R. F. Johnston: In part, yes.

Mr. Mancini: Mr. Chairman, I appreciate Mr. Johnston's concern and I think the minister should come back and explain these discrepancies to the committee, but I just wonder if the time chosen is the most appropriate.

I wonder, now that we have established basically by a motion made by someone behind me--I cannot remember who--the participation of the members in this committee, if we can now establish a proper procedure for recalling witnesses who have already appeared before the committee. This is not to say we should not have them because I think we should have them. I think we should have the minister.

Mr. O'Neil: But do we want him at this point?

Mr. Mancini: But do we want him at this point. That is exactly my question. Can we establish a fairly rational system whereby we can recall witnesses when conflicting information comes up and what is the best way to go about this? If something comes up today and one member becomes concerned, then, of course, all the committee becomes concerned, and then, of course, we want the persons or individuals, groups, et cetera, to come back as soon as possible.

I do not disagree with what you want. I just want to make sure the committee handles it in a less than ad hoc fashion.

Mr. Chairman: That is a very valid point. In this instance--I defer to the committee on this--in part, the way Mr. Johnston explained his request, it was to have Mr. Grossman here because of an answer in the assembly, but it also went back a day or two prior to that when there was some confusion, as I recall, as to when the people in Industry and Tourism were first made aware of the difficulties at SKF.

Because of the fact that SKF--the company--was going to be available today, it followed that the request was that the minister appear as soon as possible, which meant that tomorrow night we would have an opportunity to clarify the record.

Mr. Mancini: Tomorrow night, from the schedule I have, Mr. Chairman, it looks as if Robert Joyce and John Scott have been asked to appear before the committee. The committee will recall that we had these gentlemen come in from out of town only to send them back without hearing their evidence.

Are we going to cancel this altogether and slate them in at a different time? How are we going to deal with the matter of having groups reappear before the committee? That is what we have to get at.

Mr. Chairman: It is another very valid point. The request, which we have not made yet because you wanted to raise this point, was to get the Minister of Industry and Tourism, if he could, here at nine o'clock tomorrow night, giving us then at least one full hour with Mr. Joyce and Mr. Scott. To that extent, I think consideration had first been given to the gentlemen who had been requested to appear and from whom we did not hear the other night.

If Mr. Mancini and the committee agree, the clerk will contact the Minister of Industry and Tourism and reflect the concern that at some point tomorrow night, not at eight o'clock but at some point in the last half of tomorrow night, we would like an opportunity to clarify these areas with him. If that is agreed, we will pursue it on that basis.

Mr. Cureatz: Mr. Chairman, will that be available to any member of the committee, that if he wants to have the opportunity to call back any witness it will be arranged? Is that what we are doing?

Mr. Chairman: Time permitting and our schedule permitting, I think that is it. We will have to look at it issue by issue.

Mr. Cureatz: My only concern is it seems that every member has his own particular concern about a particular problem, as opposed to the overall perspective. Where do we draw the line? It sounds like both opposition parties want the minister. That is fine, but I would just like to have that clarified again at some future time.

Mr. Mancini: I think the point Sam Cureatz makes is very valid because, in my view, there were several questions unanswered by the Armstrong Cork people. If, after further reflection on the testimony given, my concerns are still not alleviated, would I then have the privilege of asking the committee to call these individuals back: the auditor from Montreal, the lawyer for the auditor, Mr. Jordin and his attorney?

Mr. Chairman: You make your point well and at this stage of the game I would say I guess that is open to you. Our problem becomes a lot more severe in that tomorrow night was the last catch-up night. Our timetable is pretty tight, which would make it almost impossible for any member of the committee to request the reappearance of another witness, but our timetable will dictate a lot of these answers.

6:10 p.m.

In this instance--and it does appear to be in an ad hoc way--if we can request the attendance of the minister and/or the knowledgeable people within the ministry to deal with the outstanding SKF question--

Mr. Cureatz: Mr. Chairman, I think to date the ad hoc basis has been fine and I am willing to go along with it without digging in my heels. I think we are all agreeable. I think we all

have a common cause. I think that is the way we should approach it, instead of having very strict guidelines. Certainly, in terms of asking witnesses back and what not, I think that should be up to the committee as a whole to discuss.

Mr. Chairman: The points are well made and those of us who are here now will have to reflect upon them and perhaps share them with our colleagues. This meeting is adjourned until eight o'clock.

The committee recessed at 6:11 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

MONDAY, NOVEMBER 24, 1980

The committee resumed at 8:04 p.m. in room 151.

SKF CANADA CASE STUDY
(continued)

The Vice-Chairman: I will call the committee to order. I guess we have representatives here from each of the parties. Mr. Johnston, you were questioning.

Mr. R. F. Johnston: I was, Mr. Chairman, thank you.

I cannot actually remember where we left off, so I may repeat some things.

Could we get some understanding about the different divisions within the company? Maybe you should describe it for me because I sometimes get them mixed up. There is the commercial side of the manufacturing--

Mr. Pickett: In the Scarborough operation the manufacturing aspect is made up of two units forming the total. One makes so-called bearings for aircraft engines and the other one we refer to as the commercial bearing division, which makes bearings for such things as automotive, agricultural, et cetera.

Mr. R. F. Johnston: Is there a third aspect in terms of sales? How does the sales group work? Is that considered to be part of SKF Canada Limited?

Mr. Pickett: Yes, they are a normal part of the total. The breakdown is within the total, to give you an idea about the makeup of the total. They are not separate entities within the company.

Mr. R. F. Johnston: Regarding the sales side of things, when I look at the statement that you have given us, this sheet of paper, it says, "Manufacturing operations, SKF Canada Limited." That applies to what exactly?

Mr. Saxe: If I can just be of some help regarding that sheet, Mr. Johnston, that is not information which in the normal course is prepared by the company. That was prepared for the benefit of this committee because we appreciated that you would want to see the data regarding the manufacturing operation, which is what is being discontinued.

Because of the short period of notice the company had in appearing here, it has not been able to provide with that sheet at this time a covering statement from the auditors. But that sheet represents an accurate breakout of that information.

However, that letter is being prepared and can, if you wish, be forwarded to the committee fairly shortly, just certifying that that data is what it purports to be, a breaking out of the manufacturing operation, that being the operation that we are discussing.

Mr. R. F. Johnston: Does that mean the aircraft and commercial lines and sales?

Mr. Saxe: No, it does not mean sales.

Mr. R. F. Johnston: So the net sales at the top of that sheet across refers to what? Does that refer to materials, bearings and other items produced in the plant and then sold to sales? Is that true?

Mr. Saxe: No, sold to the buyer of the bearing.

Mr. R. F. Johnston: But only for items which are manufactured in the plant, not for other items which may be received by sales.

Mr. Saxe: That is correct. That is the final sale price to customers of SKF realized on the sale of bearings manufactured in the Scarborough plant.

Mr. R. F. Johnston: If you were to take the sales figure for items which are not produced there but are sold through your facility, what would that add to, say, the figure for 1979?

Mr. Pickett: I think it is in the annual report: \$69 million.

Mr. R. F. Johnston: So that is where the \$69 million comes in?

Mr. Pickett: That's right.

Mr. R. F. Johnston: I want to be clear on this, that would just be coming through the Scarborough location sales?

Mr. Pickett: Maybe we should re-explain.

Mr. Martel: Are they \$69 million worth of imports?

Mr. Pickett: Yes, they are imports, in fact. There are not two separate sales companies or two separate sales projects. There is only one and the product it sells is made up of the product that is made in the Scarborough manufacturing plant and that product that is imported from other countries and includes products other than bearings.

Mr. R. F. Johnston: Does that include items like the elements of the 6200 series which are now brought into Canada--to quote Shakespeare--scarcely half made up, much more than half made up and then are sold? For instance, the bearing I have which comes in and you now grease the inside and snap on the outer ring. Where

does that come in? Does that come under your net sales on this item?

8:10 p.m.

Mr. Pickett: May I clarify one thing because it is important? It is not the outer ring; it is merely a seal or a shield. That is rather important because the bearing is manufactured and assembled in another factory. At the moment, there is very little of that going on.

Mr. R. F. Johnston: Very little of what going on?

Mr. Pickett: Very little of putting seals and shields on imported bearings.

Mr. R. F. Johnston: But during the period we have before us here--

Mr. Pickett: There was some of it going on, yes, absolutely.

Mr. R. F. Johnston: Does it show here?

Mr. Pickett: Yes, absolutely.

Mr. R. F. Johnston: That is part of your manufacturing?

Mr. Pickett: Absolutely.

Mr. R. F. Johnston: I see.

When you say there is little of it going on now, as of, say, the year of 1979, what bulk of bearings would have passed through your plant in that fashion?

Mr. Pickett: Probably in the neighbourhood of half a million bearings, but that is strictly--

Mr. R. F. Johnston: Off the top of your head?

Mr. Pickett: Absolutely.

Mr. R. F. Johnston: That's 500,000.

Mr. Martel: What does represent of your total production? The half a million bearings, what proportion is that of the total picture?

Mr. Pickett: Two or three per cent.

Mr. R. F. Johnston: When you were asked this question before--and I do not think there is an answer--when you had the 6200 series, the smaller section of the 6200 series, 6200 to 6206, I guess, being manufactured at the plant, what was the peak number in approximate, round figures that you would have been producing in that Scarborough plant?

Mr. Pickett: Of that particular size range?

Mr. R. F. Johnston: Yes, because I gather that is what we are talking about here, when you made your 500,000 figure.

Mr. Pickett: I am sorry, I would not have that information here, but certainly, it can be--

Mr. R. F. Johnston: You knew what passed through in 1979 when you were importing this and then adding the seal but, when you were producing them yourselves, you do not know what the amount was?

Mr. Pickett: I should explain: When we were talking about putting on seals and shields, it was not on the entire product range, 6200 to 6207. In fact, it was for two sizes of bearings only--if my memory serves me right--6203s and 6205s; two particular sizes out of a large size range.

Mr. R. F. Johnston: And the others you did more with?

Mr. Pickett: No.

Mr. R. F. Johnston: Did you do less with some?

Mr. Pickett: We would do less.

Mr. R. F. Johnston: I thought so.

But prior to that, my understanding was that in the 6200 range of bearings--and I think it was some time during that slowdown before, in 1974-75-76, whenever that was--there was some indication that the 6207 and larger bearings would be continued in the Scarborough plant; maybe even only in the Scarborough plant; in no other SKF facility, as I understand it. That aside for a second, you did produce that lower range in its entirety or in large part, and really manufactured--I would like to distinguish between packaging and manufacturing--prior to this in that plant?

Mr. Pickett: That's true.

Mr. R. F. Johnston: And you cannot give me an approximate figure for what the volume of that was in a given year? I am asking for your peak or even your lowest, it does not matter.

Mr. Pickett: We will do our best to help you, Mr. Johnston. I am not terribly sure that--

Mr. R. F. Johnston: The reason that it is important is quite obvious in terms of the rationalization process that has been going on with SKF.

What you say to me is that in 1979 you had a market for 500,000 of this style of bearings in Canada, bearings which we used to produce in this country. That is why I would like to know how many, even the lowest or the highest. It does not matter; you can take your worst or your best year. Therefore, you created many

more actual manufacturing jobs in this province and in that particular plant.

And yet, somehow--and I presume it happened during that period when there was that change of name, during the brief period of American ownership or American branch-planting--that was lost to this plant, as a decision that I presume was not made by you locally. Or was it, when you have this kind of market available to you?

Mr. Pickett: Oh, I am sorry. Now I understand your question. No, as a result of the change of name and the change of ownership, it was not a decision that was made to remove the product from that plant.

The decision was that we were no longer competitive in the size range 6200 up to 6207 and they were taken out of the manufacturing plant. Following that we did import--and I think I can give you some approximate numbers--in the neighbourhood of half a million of two particular sizes which are referred to as open bearings.

As you probably know if you have looked at a bearing, you can see that they sometimes have one shield, two shields, one seal--a combination of those things. That is the last operation and it is usually performed as a direct result of the market requirement shifting more to a shielded bearing rather than to a sealed bearing. For a short time we did bring in what we refer to as open bearings and we applied the seal or the shield, as the customer required, in the last operation, if you wish, in our Scarborough plant.

Mr. R. F. Johnston: The short time was how long?

Mr. Pickett: I believe it lasted for about a year or a year and a half before the total stock was depleted.

Mr. R. F. Johnston: When did that end?

Mr. Pickett: It probably has not ended totally yet, but, from a volume standpoint, in the last year.

Mr. R. F. Johnston: Is there still a market for bearings of this type?

Mr. Pickett: Yes.

Mr. R. F. Johnston: Who is providing it now?

Mr. Pickett: Almost every country, but the heavy concentration of imports is from Japan, Czechoslovakia and Poland.

Mr. R. F. Johnston: You have plants in Japan and Czechoslovakia. I cannot remember whether or not you have one in Poland. Are any of these imported through SKF?

Mr. Pickett: We would love to have a plant in Japan, Mr. Johnston.

Mr. R. F. Johnston: Is there not an SKF plant in Japan?

Mr. Pickett: There is an SKF sales company, but not a factory, in Japan, nor is there one in Czechoslovakia.

Mr. R. F. Johnston: Those are both sales companies, are they?

Mr. Pickett: That is right.

Mr. Martel: Are you in partnership with anyone in Japan?

Mr. Pickett: No, we are not.

Mr. R. F. Johnston: Is there another producer of this size of bearing in Canada?

Mr. Pickett: I believe that FAG Bearings produces one particular size in that group.

Mr. R. F. Johnston: Is it continuing to do that, as far as you know?

Mr. Pickett: I am not absolutely certain because at the present moment there is an influx of bearings in this particular size range out of Portugal, imported by that same company, which is practically destroying the market level for prices right now. Inasmuch as they are imported by that firm, I am not absolutely confident at this date what their production levels might be in Canada.

Mr. R. F. Johnston: Do you foresee that series, the 6200s, below 6200s, that is now being imported from the States, primarily--

Mr. Pickett: No, that is not so.

Mr. R. F. Johnston: Not from you? Not from Philadelphia?

Mr. Pickett: No. The 6200-6300 series basically now will come--there will be exceptions, of course, but the volume of that product will be coming from Europe.

Mr. R. F. Johnston: From France?

Mr. Pickett: No, probably from Italy.

Mr. R. F. Johnston: My question was not so much about the source--I realized it was offshore--but more in terms of whether there is a market here. Will your sales component here still be handling that?

Mr. Pickett: Yes.

Mr. R. F. Johnston: Around the same kind of quantities, do you imagine?

Mr. Pickett: No, the quantities are dropping each year.

Mr. R. F. Johnston: We talked a little bit about the aircraft bearing side of things. I gather the company has received a number of awards for this.

Mr. Pickett: Yes, that is true.

Mr. R. F. Johnston: Can you tell us a little bit about them?

8:20 p.m.

Mr. Pickett: I think that they are referred to as vendor excellence awards. Inasmuch as there is only one customer involved, I can hardly refer to them as a series of awards, but I think we have received two or three, basically on the measure of the performance of the company against schedules of quality.

Mr. R. F. Johnston: They are for high quality and good performance in terms of getting your goods to them on time, et cetera.

Mr. Pickett: That is correct.

Mr. R. F. Johnston: The aircraft bearings that are now being produced by your company will be produced where?

Mr. Pickett: That is a difficult question to answer but I can give a pretty good indication. They will be produced by SNFA in France, FAG in Germany, MRC in United States, a split ball bearing company in the United States, and probably another one or two more that I may have forgotten, and SKF Industries in the United States.

Mr. R. F. Johnston: That is the Philadelphia plant?

Mr. Pickett: That is right.

Mr. R. F. Johnston: Will there be anybody in Canada, any company, that will be able to produce those bearings?

Mr. Pickett: It is rumoured at the present moment that one of our competitors will take up the manufacture of aircraft engine bearings in Canada, but I cannot confirm or deny that. It is rumour only.

Mr. R. F. Johnston: Who are they rumouring, Fisher?

Mr. Pickett: That is right.

Mr. R. F. Johnston: Fisher in Stratford. Why would they move into this area when you are moving out of it; if it is not suitable for you?

Mr. Pickett: I can only speculate, but they have a large aircraft bearing division in their parent company in Schweinfurt and they do not have a location outside of Europe where they produce aircraft engine bearings.

Mr. Martel: May I ask a supplementary, Mr. Chairman? If no one else takes it up, then do you get into Canada virtually tariff free; if no one else is producing?

Mr. Pickett: Are you referring to aircraft bearings?

Mr. Martel: Yes.

Mr. Pickett: Basically aircraft bearings are not subject to duties now. A few of them are, but basically they are not.

Mr. Martel: Most of them are not subject to duties. Is there a reason for that?

Mr. Pickett: Yes, there is a very good reason. It is because our customs and excise division has very, very different interpretations of what constitutes a ball and roller bearing than we do. Anything, for instance, that is not totally round on the OD, such as a flanged bearing or anything like that for aircraft use, they refer to as something more than a bearing and they follow the naming principle of the tariff, which means it comes in under the engine tariff rather than the bearing type. I think I referred to that, maybe not too well, in my earlier comments.

Mr. Martel: You must understand, some of us do not understand the jargon.

Mr. Pickett: Would you like me to go back over that one again?

Mr. Martel: No. It seems to me that the absence of any form of protection is in a way detrimental, but in another way, if you are a large multinational it is favourable because you can bring into Canada whatever you want without tariffs, which is a pretty good reason for shutting down a plant in Ontario.

Mr. Pickett: I must not agree with that, because the same opportunity would be afforded to 150 to 200 other importers.

Mr. Martel: I do not dispute that. What I am saying is that if you have a plant here and you can bring it in from an offshore operation tariff-free and if you have the economies of scale you want, then it is advisable to shut down here and import.

Mr. Pickett: It is really a matter of which comes first, the chicken or the egg? If the tariff was there we would not have the problem.

Mr. Martel: No, but we in Canada have the problem. If that occurs in your field of endeavour and in someone else's field of endeavour and so on, there is really no advantage to keeping or locating a plant in Canada or in Ontario because, if you can supply the host country from offshore sources, there is nothing except a sales operation which, to many of us, is really for the birds.

Mr. Pickett: It is one of the reasons why I explained, maybe not too well, in the opening comments that, despite the 15

per cent so-called tariff on bearings coming into Canada in the made-in-Canada range, there are so many exceptions to that rule that in fact there is little or no protection at all, because all of the major market end uses are duty-free.

Mr. Martel: Then there is really no inducement to retain a plant in Canada. That is the point I am making.

Mr. Pickett: On the same basis there is not a basis for putting one in Canada either. Nothing has changed in that regard.

Mr. Mackenzie: There is one inducement, I suppose, at the moment and that would be the 85 cent dollar.

Mr. Martel: There is more inducement than that, surely to God. As a host country and a receiving country--there is an inducement to provide labour for the people of the country you happen to be a guest in.

Mr. Pickett: Of course there is. I was referring to the statement that there would have been no reason to put a plant in a particular country.

Mr. Martel: No, but the tariff has been reduced since the latest round of GATT negotiations.

Mr. Pickett: The latest round is in the process of reducing it, but the important part is the fact that even when the tariff as a percentage was very high it provided little or no protection because of the naming principles of the tariff.

Mr. Martel: Everyone could escape it.

Mr. Pickett: Absolutely.

Mr. R. F. Johnston: Could I have a couple of figures, a little more breakdown? How did the aircraft component of your manufacturing operation do profit-wise in 1979?

Mr. Pickett: It is part of that total package. It is in that document you have.

Mr. R. F. Johnston: Do you have it broken down some place?

Mr. Pickett: Probably we do, but not as part of this information.

Mr. R. F. Johnston: I am trying to find out whether or not the aircraft side of things has been making a profit over the last few years, since the commercial side has not been.

Mr. Pickett: Over the last two, maybe three years, the aircraft product has been profitable.

Mr. R. F. Johnston: The demand for it, et cetera, has been accelerating over that period?

Mr. Pickett: Yes.

Mr. R. F. Johnston: Therefore, when we look back to 1977, 1978, where you have net losses in manufacturing, they must have come at the commercial end?

Mr. Pickett: Not necessarily so, Mr. Johnston. The aircraft division in that period--late 1975 through 1978--lost money. The orders were very low, which was the major problem, and the idle facilities were very high. As a matter of fact, at that time the single customer involved was actually returning products that he had ordered, arbitrarily, and cutting back substantially on our schedules. It was after that period that the production levels picked up.

Mr. R. F. Johnston: Looking at that in terms of the losses involved, it was shared during 1977-78, but the bulk of the 1979 manufacturing profit came from the aircraft portion.

Mr. Pickett: I could not answer that accurately, but certainly a profit did come from that area.

Mr. R. F. Johnston: In 1979, I gather there were a couple of months where it was a little difficult to get steel. Is that the case? What effect did that have on what was a good year for you anyway? What impact did that have on you?

Mr. Pickett: I am unaware of the major difficulties of getting steel, but if we had sufficient steel to carry on then it would have had no effect. We might have had to change the product mix around in production.

Mr. R. F. Johnston: There was no problem getting Swedish steel for a couple of months?

Mr. Pickett: Oh, I understand. There was a strike in Sweden and steel shipments were held up which necessitated our shipping our production around in the factory to take care of that situation. That would be detrimental, of course, to the operation of the factory.

Mr. R. F. Johnston: You get the bulk of your steel from Sweden, I presume.

Mr. Pickett: We get the bulk of our commercial steel for the commercial section.

Mr. R. F. Johnston: From Sweden?

Mr. Pickett: That is right.

Mr. R. F. Johnston: Is there any North American facility that could provide you with that quality of steel?

Mr. Pickett: In the United States, yes, but not in Canada. That steel is not melted in Canada at all and never has been.

8:30 p.m.

Mr. R. F. Johnston: What would be the price for the American-made steel as compared with the SKF steel, in terms of your costs on the intake side of the manufacturing?

Mr. Pickett: I am not an expert in that area, but I do know that the group rule is that the steel we buy from our own company must be competitive in the marketplace with the same product. We do buy it, and have bought substantial amounts in the United States but not in recent years.

On the other hand, the aircraft steel was steel that was originally melted in the United States, and over the years we moved that to Canada. Ninety per cent of that steel, over the last five to seven years, has been purchased in Canada from Atlas.

Mr. R. F. Johnston: What will happen there in terms of the production of that steel if you are not in business? Unless Fisher jumps into the void, all of the bearings will be coming from offshore. Do we presume that as well--what was the name of the steel company?

Mr. Pickett: Atlas.

Mr. R. F. Johnston: That Atlas Steel is going to suffer by that?

Mr. Pickett: I would say on the contrary, because the steel is of such a fine quality and the forgings that come from it are so good, it is my understanding that the other companies which are getting into the aircraft engine bearing business are buying that steel.

Mr. R. F. Johnston: I would just ask you a couple of questions about the world-wide rationalization that has been going on with SKF for the last number of years. What representations have you made, as an executive responsible for a plant in Canada, for some of the expansion and rationalization--positive rationalization--taking place in your plant in Scarborough, where there is a large tract of land, a good location, and the problem, as you put it before, is that of a small market--as compared, say, with the gross in Mexico and in the United States and other areas?

Mr. Pickett: Possibly I could best explain it by trying to draw a picture of how SKF operates in the world. At the present time, there are major, large factories located in Sweden, England, France, Germany, Italy and the United States. In addition to that, there are smaller plants located in India, South Africa, Brazil, the Argentine and an associate company in Mexico which is 60 per cent owned by the Mexican government. There was a plant in Australia, and our own.

The plants in India and in South Africa operate behind a total embargo on the products that are manufactured in that country. In the case of Brazil, the Argentine and Mexico, they operate behind very substantial tariff barriers. In Brazil it has just recently changed from not only a 60 per cent tariff barrier,

but to the fact that each and every sale that you make of a bearing you must finance for a period of one to two years, free, to the Brazilian government.

So there is a large-plant-to-small-plant concept. In the case of the Australian factory, it closed approximately two years ago because of the same problems we are talking about now. Smaller factories have been closed in the United States, one in France, one in England and one in Sweden.

I do not know if that is an answer to your question, but it is--now I should add, of course, that the situation in Europe is that the large factories, that is the countries in which those large factories are located, have basically duty-free movement of goods between all of those countries, whereas the tariff barriers thrown up, for instance from Canada into these individual countries, while they are not substantial by comparison to the South American situation, they are substantial enough that with a small factory, and your economy of scale again, it is just not profitable.

Mr. Mackenzie: The small plants you have that are situated behind fairly high tariffs, and the Mexican case as well where I gather you have got some kind of a partnership arrangement, or the company does with the government, are those deemed to be economically viable operations by SKF?

Mr. Pickett: Yes, sir.

Mr. Mackenzie: So they are operating in partnerships and behind tariff barriers and yet the company itself sees them as viable or--

Mr. Pickett: There is just the one case, in the case of Mexico where it is a partnership arrangement, or where SKF does not have the controlling interest. The answer to your question is basically yes.

It has just been pointed out to me, and it is a fact, that bearings sold in those countries are substantially above world prices.

Mr. Mackenzie: I am wondering also about the protection of the industry in those countries. There may be some day at which point in time it would pay them to have a bearing production facility.

Mr. Pickett: There is a bearing production facility, of course, in India and in South Africa.

Mr. Mackenzie: What is the case in the European Common Market countries? Do they have a larger market, a market of scale, but as well they have barriers against us shipping manufactured bearings from here to those countries? In other words, there is a barrier against us entering the export markets.

Mr. Pickett: That is correct.

Mr. Mackenzie: It is not entirely due to the economics of scale that we have in our operation.

Mr. Pickett: It is a combination of the two, but I think you have to appreciate the size of the market in the European--

Mr. Mackenzie: But they have also protected their ass by making damned sure that before we can get into it, they are going to have tariff barriers preventing our shipping the stuff in.

Mr. Pickett: There is tariff protection into those countries, yes.

Mr. R. F. Johnston: It is effective, unlike our own. You said for our side of things there is no real protection; but obviously the other way around, they have very good--they have drawn up their terms very well.

Mr. Pickett: That is true.

Mr. Mackenzie: Can I ask you--one more supplementary, if I can, Mr. Johnston.

Mr. R. F. Johnston: Yes.

Mr. Mackenzie: What rationale do you see, and I am not trying to get into a philosophical argument here at all, but as an admitted private enterpriser, looking at an operation that in effect is killing us, in terms of whether you argue the size or anything else, in the bearing manufacture business, but allowing it to succeed, either behind tariff barriers or in partnership arrangements, with the larger market but also the barriers against our shipping into the European Common Market countries--where is the rationale for that from a corporate point of view?

Mr. Pickett: I suppose the truth of the matter is there is no rationale because the facts are the facts. The EEC operates in this huge market with free movement between those countries, and the economy of scale once again, to have production from a small factory trying to jump that barrier, it is just not feasible.

Mr. Mackenzie: I am left with a distinct feeling that the only people who are losers on that are the Canadians.

Mr. R. F. Johnston: Our major market, presumably given the things you were talking about, is the United States, or there is a possibility--

Mr. Pickett: It is a major market, yes.

Mr. R. F. Johnston: How much of the production of SKF Canada Limited, at the Scarborough plant, is exported to the United States, what percentage?

Mr. Pickett: About 20 to 25 per cent.

Mr. R. F. Johnston: At present goes to the United States.

Mr. Pickett: That is right.

Mr. R. F. Johnston: Just on that basis, between us and the United States, what would it take in terms of value added factors to make it profitable or likely that you could operate in terms of that market, the North American market.

8:40 p.m.

You have an 85-cent Canadian dollar at the moment. You have some level of protective tariff--both ways, I presume, and I would like to hear a little bit about that. What is the relative compensation rate for your employees--their salaries, benefits, et cetera--as compared with, say the Philadelphia plant, not some of the other areas, that would militate against you grabbing a better share of that market if a corporate decision was made in that direction, in terms of an emphasis on the Scarborough facility? What would be, either the optimal size of the market--what would be the number of factors that would be required to make it possible for you to continue manufacturing if a corporate decision was made in that area here, in terms of rationalization between Canadian and American plants?

Mr. Saxe: In answering that, I may be able to help clarify an earlier problem you also had, Mr. Johnston, and that is with the change of names and what happened with all those name changes that were going on. The company, in fact, tried to do exactly what you are wondering if they could have done. That was to merge the North American market, and in doing so provide for the Canadian manufacturing operation a large enough market to justify the imposition of the economies of scale and allow tooling for that in Canada. That was done in the early 1970s. It is reflected in the change of names of the manufacturing part of the Canadian operation as it in fact became a subsidiary of the US company.

That subsidiary arrangement was done for a number of reasons. The primary reason was because within a company, as you can imagine, each manager and each factory hand, et cetera, has his own goals within company competition. What they tried to do was to make North America a single profit centre so that SKF North America, if you like, the Canadian plant as a subsidiary of the US plant, would be counted in the success of the US operation and hence the US sales people, the US production people, would have every reason to push Canadian-made product. The profit centre disincentive would be taken away by that restructuring. That was the primary purpose of the restructuring, to remove that intracompany competition from being a hindrance--not to say it was, but I think we all recognize it can be.

That was one of the primary reasons the step was taken. Notwithstanding the fact that the company went to even those measures, they were not able to penetrate the US market with bearings manufactured in Canada, essentially because of US tariff restrictions, which run around 10 per cent and which did prove to be much more effective than, unfortunately, the tariff protections have proved to be in the reverse.

Part of the reasoning for that is the size of the US base market. It allows US manufacturing operations, including our competitors, to produce for economies of scale in the United States. Even if we had been able to institute in the Canadian operation a large enough production line to take advantage of the economies of the scale, we would have faced competition from US home-based production, and the difference between us and them would have been the 10 per cent tariff wall. Faced with that, this company decided it simply could not overcome that limitation. It cannot jump a 10 per cent tariff wall to get into the US market. So having tried everything, it decided it would not be a successful step, and hence, in 1975, you see the switch back.

Mr. R. F. Johnston: Saying all other things were equal--

Mr. Saxe: That is right.

Mr. R. F. Johnston: That is your compensation for salaries and so on--

Mr. Pickett: We can probably add one more point to that: dealing with the very bearing we are talking about, made in Canada, the United States market was being attacked exactly at the same time with the same offshore bearing. As you no doubt know, it has been a subject of, I think now an act of Congress in order to cut it back a little bit.

Mr. Mackenzie: Did you really feel that allowing the American operation to sell the Canadian-produced bearings would have been of benefit, or was that just a hope?

Mr. Pickett: A combination of both. We were trying every avenue that was available to us to improve the situation.

Mr. Mackenzie: Albeit your company is an American sales outfit to try and peddle Canadian-produced bearings, the minute that you had any problems or a nationalist fervour over there, it stands to reason that we were probably the first ones who were going to suffer in any event.

Mr. Pickett: That is so, but we cannot honestly say that happened in fact.

Mr. Mackenzie: It obviously did not help either.

Mr. Saxe: With the 10 per cent tariff protection, they did not have to worry about nationalist fervour to protect their local market.

Mr. R. F. Johnston: You have a 15 cent a dollar advantage now, I presume, with the Canadian dollar being at 85 cents. At this point, does that not make up more than the difference between tariff barriers?

Mr. Pickett: It certainly helps, but it is not sufficient to make the product that attractive in the US market, keeping in mind that the product line we were talking about is a highly competitive product on the US market made, once again, by

the Japanese attacking it very strongly.

Mr. R. F. Johnston: What is the percentage of the Canadian market that you presently hold?

Mr. Pickett: I wish I honestly knew that. We guess somewhere between 12 and 20 per cent. That is combined imports, domestic production, et cetera.

Mr. R. F. Johnston: How does that compare, in the same fashion, all combined with, say, 1974 or 1975--whatever year comes back to you?

Mr. Pickett: The statistics that are used in Canada are basically not worth having.

Mr. Mackenzie: The same as our Labour figures?

Mr. Pickett: Our own estimate is that we have lost market share during that period of time. I cannot say that as an overall total, but certainly on certain product lines we have lost market share. Because our overall figures, please remember, include other things than bearings.

The Vice-Chairman: Mr. Johnston, I wonder if I might remind the committee that we have five other members who would like to get on for questions.

Mr. R. F. Johnston: Yes. I understand.

The Vice-Chairman: I realize you have more questions.

Mr. R. F. Johnston: I am sorry that I am dragging it out. Perhaps I have a bit more information than other members do. I hope you can take some of the things I am raising and move with them. I will try to speed up what I am asking and then have it go on to other people.

Have you recently acquired another property in Scarborough?

Mr. Pickett: Not to my knowledge.

Mr. R. F. Johnston: You haven't as far as you know?

Mr. Pickett: No.

Mr. R. F. Johnston: There is no property in the Ellesmere-Markham area in terms of warehousing that is new?

Mr. Pickett: You are referring to SKF Steels.

Mr. R. F. Johnston: I am not clear.

Mr. Pickett: It is another SKF company not operated by SKF Canada Limited that has a steel warehouse in that area.

Mr. R. F. Johnston: Do you send goods there?

Mr. Pickett: No. They buy steel from the parent company in Sweden, as well as from many other steel--what shall I call it? It is a steel distributor's warehouse operation.

Mr. R. F. Johnston: Who is going to be responsible for the sales of the machines in the plant at the moment? Is it going to be up to you or is somebody being sent in to deal with that?

Mr. Pickett: There is a group on the premises at the present moment who will co-ordinate the thing, but the costing and the selling of the product is strictly a local situation.

Mr. R. F. Johnston: What about the decision to close? Where did that come from? How much of that was made by yourselves and how much of it was made by the management group, or whatever it is called--the parent company?

Mr. Pickett: The discussion on the subject has taken place, of course, since 1970, but the final decision was made by the Canadian board.

8:50 p.m.

Mr. R. F. Johnston: Just one question; I understand that you do not want to deal with questions to do specifically with the workers and so I have stayed away from those kinds of questions. But I have one question which is a backgrounder on pensions that you may or may not feel able to answer.

Given your present pension structure, which we have received some information on but very little from the union involved in terms of what an individual could expect, is it fully funded at the moment to cover your vested employees at this point, all your employees, or what sort of interest rate of assumption would be required in order to have them covered?

Mr. Cumine: Really, I think the best answer I can give you is that, in the case of the SKF pension, you are not dealing with a company that is either disappearing or going out of business totally or going into liquidation. You are dealing with a continuing corporation which has given its total assurance on a total company basis that all commitments under that pension scheme will be met. No matter what the assumptions are or the funding is, it is going to stand behind all of the commitments.

It has also been indicated clearly throughout collective bargaining that one of the things the company is quite prepared to discuss is the question of pensions and the question of vesting. That is part of what is on the table being negotiated at the present time.

Mr. R. F. Johnston: So you, as a company, feel able to deal with the pension matter adequately?

Mr. Cumine: Yes, without doubt. That assurance has been given on a number of occasions and it is one that the company will certainly stand behind.

Mr. R. F. Johnston: Two small things and then I am finished, Mr. Chairman. You talked about perhaps 300 jobs in Canada, sales service. What is your total work force at the moment, Canada-wide? Salesmen, or sales; it doesn't matter. I would like an idea how many people we are talking about.

Mr. Pickett: Six hundred and twenty-five.

Mr. R. F. Johnston: And there are 300-odd in your manufacturing right at the moment. So, in point of fact, you are not talking particularly about additional jobs in that field.

Mr. Cumine: Mr. Pickett has already spoken to you about the hope to develop the machine rebuilding aspect of it. If we knew precisely what was going to happen in that regard, we could be of greater help. But, of course, we are here trying to answer questions that are some 12 months down the road at best.

Mr. R. F. Johnston: One of the things that comes in my mind and it leads right into my next question about the whole repair side of things. You indicated that you do not really see, in point of fact, that that has been costing your manufacturing sector particularly, when I raised those questions. My information tells me that it has been in specific cases. I am not saying that that is necessarily by management decisions. I am saying maybe it is at a foreman level or whatever on that.

I am concerned--and I think people in the plant are--that the repair side of things will not be able to handle itself and be viable once you take away the manufacturing plant. Without that backup to it, it is not going to prove to be viable. Do you have concerns in that area?

Mr. Pickett: Of course, there are always concerns as to whether you are going to be competitive and remain competitive. On the first part of your question: We too had some indication that that question might be asked and we checked it out. The contrary is true. The total sale has been credited to the factory as well as the cost; so there has been no division of the profit or any part of it. In fact, 100 per cent of it, including the sales value has been credited to the factory.

Mr. R. F. Johnston: Has that been a money-making venture or has it lost money?

Mr. Pickett: Breakeven at the moment.

Mr. Cumine: It is only fair to say that the company is not going to try to maintain something which it thinks cannot work. That would be diametrically opposite to the whole of what is being done.

Mr. R. F. Johnston: I do not know that much about your field, obviously, but it seems to me that maybe within six to eight months there could be a decision to end that and all we would be left with would be the major sales outlet for foreign imports in the country; and that is all we would have.

Mr. Pickett: I hope that is not the case. It will be the market facts that will dictate that. At the present moment we are going to expand it.

Mr. R. F. Johnston: I have a series of things which I would like to table for you to get some reply on. They are detailed things which I would not want to take the committee's time on at this point.

I would like some information from you, if I could, and I will leave you a copy of this, if I could get the clerk to copy it for me. It has to do with some bearing series that were produced in the plant. I understand the equipment is still in the plant. I would like information from you as to why each one of these series is no longer produced in the plant and where it is being produced and I will ask the clerk to give that to you.

I hope somebody asks the investment question, which I would ask, in terms of how much money you have actually put into the operating of your machinery and that sort of thing on a year-by-year basis over the past few years.

Mr. Mancini: Mr. Chairman, I have a list of questions I would like to ask. I would like to inform Mr. Pickett that possibly some of these questions may be a repeat of what has already been asked, but they might be asked in a different way, or they might be asked to get further clarification. So if you think we are going over old ground, please bear with me and assist me in helping me get the information that I need.

The first question I would like to ask deals with the basic structure of the parent corporation that operates, as we can see from your annual report--frankly, I am both impressed and astounded by the world-wide operations of this corporation. There does not seem to be a place on the face of the earth where they do not have some influence.

Mr. Martel: Outer Mongolia.

Mr. Mancini: Possibly Libya may be the only country in which you do not operate; I am not sure.

But could you give us, for example, the gross profits for the worldwide parent corporation?

Mr. Pickett: I think the fastest way to answer that, sir, is to look at page 36 of the financial statement that is in front of you, the seven-year record net income, 1973 through 1979, ranging from a high of 4.3 to a loss of 0.3; 1979, 1.3 per cent on sales.

Mr. Mancini: I always find it much easier to talk in dollars and cents. Could you break that down for me in dollars and cents?

Mr. Pickett: That is in Swedish kronor.

Mr. Saxe: Net sales were approximately \$30 million Canadian.

Mr. Mancini: Does that mean, then, on page three of your annual report, under the heading "Group Review," where it states, "In the year under review"--which is 1979--"the SKF group achieved a profit of 475 million kronor." Is that the--

9 p.m.

Mr. Pickett: Yes, and if you deduct from that the exchange differences, extraordinary items, provisions in taxes, you would come back, I hope, to the figure that is on page 36 under net income.

Mr. Mancini: Which is?

Mr. Pickett: Thirty million dollars Canadian. That is a fast translation, because that is stated in Swedish crowns.

Mr. Mancini: That \$30 million Canadian net profit takes into account every subsidiary or associated company listed from page 51 to page 56 inclusive?

Mr. Pickett: That is the group consolidated report.

Mr. Mancini: Could you inform me about some major expansions that may have taken place within the SKF group--and I am speaking strictly of the ball bearings group or unit, however you refer to it--in the last two years, where this expansion may have taken place and how much capital was expended?

Mr. Pickett: I could not tell you how much capital was expended in each particular area.

Mr. Mancini: Just the ball bearing area.

Mr. Pickett: I am talking geographical areas. Some expansion would have taken place in Italy, some in Germany, some in Brazil, going on memory, probably India and the associate company in Mexico. I could not give you exact numbers without going through a great deal.

Mr. Mancini: Were those expansions created to serve those particular markets in those particular geographical areas? A supplementary to that: Were those expansions strictly expansions or were they refurbishings of existing facilities?

Mr. Pickett: A very excellent question. Actually, there has been very little expansion in the SKF world in many years. It has really been re-equipping factories and so forth. There is a reduction in the work force over the years, as you can see in the statement, a quite substantial reduction.

Mr. Mancini: What you are telling the committee, then, Mr. Pickett, is that in the geographical areas you mentioned SKF has gone in and brought the existing establishments up to date with new technology and new equipment, more or less brought the

plants up to date so that they could compete and supply the geographical areas.

Mr. Pickett: That is partially correct.

Mr. Mancini: Where would I be wrong?

Mr. Pickett: Also there was a great deal of product rationalization in the European common market.

Mr. Mancini: I will be getting to that in a moment but, getting back to my original question, was that money expended strictly to bring the existing facilities up to date with new technology and better facilities in order to serve the particular geographical areas in which they were?

Mr. Pickett: From my vantage point in Canada, I am afraid I could not answer that accurately for you.

Mr. Mancini: That is a very important question.

Mr. Saxe: Maybe I can be of some help to you, Mr. Mancini, subject to what Mr. Pickett would have to say. I think the answer to your question goes back to something he said a little earlier, and that is the discussion of SKF's large facilities and small facilities in the world.

As we mentioned, the large facilities are located in Europe and the United States. There are six of them. In recent years the European facilities have gone through a rationalization process which is described, I think adequately, in this year's financial statements. That rationalization process has been designed, first, to allow SKF in Europe to compete effectively in the European market, and, second, to allow its sales organizations to compete worldwide.

The worldwide SKF competition is based on the large production facilities and that is where the bulk of the money has been spent, on that rationalization process.

There are also small SKF manufacturing facilities, such as the Brazilian one and the Indian one. In that case, those plants are only designed to supply their local markets and are able to do so free from competitive pressures because of the tariff protections; as a matter of fact, in two cases, embargo protections. In other words, if SKF produces it, no one can import it. It is an absolute embargo, the protection granted in those small countries. That is where the money has been spent and the purposes for which it has been spent in the recent years.

Mr. Mancini: Mr. Saxe, I believe there may be some confusion as to the question I am trying to ask. Basically your answer states that there has been rationalization and that small plants have been closed in favour of updating larger plants.

But the company's own annual report for 1979 states very specifically that "Sixteen SKF factories in Europe"--and I am quoting now--"now produce 70 million more ball and roller bearings

annually than 22 plants did three years ago." Basically there have been six plants eliminated, which I will ask about later, but that is a far cry from the six plants you mentioned. Also, it does not mention whatsoever whether these plants are large plants, small plants or medium-size plants.

I want to get back to my original question.

Mr. Saxe: Maybe I can help clarify that. The discussion of factories in the annual report has to be distinguished from plants. For instance, a Swedish factory was closed down some 60 miles from the main Swedish factory. When we discuss that here, we are talking about a single plant. The separation of 60 miles between one building and another building is not a distinction we are making when we talk about plants. In fact, the Swedish, French and English plants are made up of a number of factories.

To take a local example, one need only think of--what is the big Kitchener-Waterloo manufacturer?

Mr. Mancini: You are saying that a factory is a conglomerate of small plants.

Mr. Saxe: No, a plant may be located in more than one building. That is what I am saying, and SKF closed down a number of buildings or factories located in Europe. In fact, we expected that might be asked and we have tried to show, if you are interested, exactly where those factories were closed down.

That was part of improvements made to that plant. In other words, the Swedish plant was improved and part of the improvement was closing down a factory located 60 miles from the main factory.

Mr. Mancini: How many buildings would that involve? Furthermore, how many employees would that involve? Let's try to talk the same language, if we can. I looked through the annual report. I cannot recall seeing anything like that.

Mr. Saxe: The effect on the number of employees is indicated on page 46. Some of the frustration you and, I think, other members of the committee may feel with this report is over a matter we cannot necessarily help you with; that is, the geographic breakup. SKF does not do a financial report on a geographical basis.

Mr. Mancini: Let's step back for just a moment. Mr. Pickett partially answered my question by saying that in certain geographical areas--and I cannot recall the ones you mentioned--the existing facilities had been upgraded and new, up-to-date technology was brought in and, in general, everything was brought up to date, thereby enabling those facilities to service their geographical areas.

Mr. Pickett: That is basically correct.

9:10 p.m.

Mr. Mancini: My supplementary question was how much

money was expended and you could not reply to that. Basically, then, Mr. Pickett, what you have told the committee is that in certain geographical areas where this corporation is operating throughout the world, it has been willing to upgrade the technology, it has been willing to upgrade the equipment, it has been willing to make whatever decision or choice was necessary to ensure that those operating plants, factories or however you want to describe them could serve the geographical area, except in Scarborough.

Mr. Pickett: I think one important point we must keep in mind--and I think I have referred to it quite often, Mr. Mancini--is the fact that the economy of scale in a geographic area, in a marketplace, must be big enough to support that; where you move with no tariff barriers from Italy to France and from France to England and so forth with this particular product.

Mr. Mancini: Let's go through your annual report then a little further. On page 11, under the heading "1980 Prospects," further down in the page it states, "For these reasons SKF believes conditions exist for a sales increase of 10 to 15 per cent." I believe that page is basically talking about the Canadian and the North American market. Am I not correct?

Mr. Saxe: Mr. Mancini, read the paragraph immediately above it: "The major EEC markets are expected to increase their industrial production during 1980, though less than in the preceding years"--that is, the increase will be less. "As the upturn in Sweden came later, it is expected to continue into the second half of 1980."

"For these reasons SKF believes the conditions exist for a sales increase..."

Mr. Mancini: All right. Let's move to another piece of information that has been made available. This was made available to us by the union that represents the workers at the SKF Scarborough plant, and I also noticed something about it when I was reading through your annual report. It states: "The company is closing at a time when domestic demand exceeds domestic production. During this year, SKF's investment in Canada was only \$100,000." I guess we are speaking of 1979. It goes on further to state, "In 1979, the company's sales in Canada rose by 33 per cent."

That leads me back to my original question. How could a decision be made through the parent company that certain existing facilities be upgraded, new technology brought in and existing facilities brought up to date to service existing geographical markets, but we are unable to convince the parent company to service those same geographical markets but in our country, through a facility which is already here, with strong evidence that there is a strong market demand?

Mr. Pickett: I think that is really where the error has occurred. Let me assure you that the market demand in Canada has dropped substantially. We have already had to reduce the Scarborough manufacturing activity, and we will have to do so

again in the very near future, sir, unless there is a marked upturn.

Mr. Mancini: That may be, but I take you to page 13 of your annual report, under the heading "Rolling bearings": "The car industry, which takes one third of the world's ball and roller bearing production, ran at a high level for most of 1979. The heavy machinery and mechanical engineering sectors had a better and more evenly spread work load than in 1978. Mainly for these reasons, the overall demand for rolling bearings increased in volume by four per cent."

Mr. Pickett: Might I answer that, sir, by pointing out that the product they are talking about there is not the product made in Scarborough? Heavy industry, by its very name, takes big bearings, and these are not made in Scarborough.

Mr. Mancini: Basically what you are doing is supplying the whole market from outside of Canada?

Mr. Pickett: In that particular area, yes, sir.

Mr. Mancini: Your parent corporation would be willing to supply a whole sector of the economy with bearings from outside of Canada, but would not be willing to continue the Scarborough plant and supply another segment of our market from within our country. Is that what you are telling us?

Mr. Pickett: No, I am not, sir. I am saying that the market segment in heavy industry to which you are referring here basically consists of big bearings.

Mr. Mancini: I'm glad you brought that to my attention. All of this--

Mr. Pickett: That product line is expanding; at least up until the last few months, sales have been improving. In the other area, the commercial aspect of our Scarborough plant, the sales in that particular area have been dropping, and I think I mentioned, White farm equipment, Massey-Ferguson, et cetera. Those are customers that I am sure you know are not taking anything at the present moment.

Mr. Mancini: I am glad you brought that to the committee's attention because I feel it is very important that the parent corporation is willing to supply this whole sector from outside the country and have it brought in, but yet is unwilling to maintain a small portion of the business here in Canada.

I think that is one of the basic problems this committee is facing with the multinational, foreign-owned corporations. They seem to want to supply just about the whole market from outside. It is very important. If these markets are going to be made available to corporations such as yours, you are going to have to create some jobs in this country and supply part of the market from here.

Mr. Saxe: That is an interesting point, Mr. Mancini, but

I think there is something that has to be considered in response. It's not a question of what SKF wants to do. It's a question of what is being forced upon SKF by competitive pressures. We have provided for you, as you can see, the profit that was made on manufacturing in Canada.

Mr. Mancini: What was that figure again?

Mr. Saxe: In the last 10 years, it is a \$1.5 million loss. ~~It is the 10-year statement which--~~

Mr. Mancini: You are talking about the Scarborough plant?

Mr. Saxe: That's right. That is the only place where there is manufacturing in Canada.

Mr. Mancini: We could get into this conversation and go back and forth. We can say, "If you had expanded the number of lines, if you had brought in new technology, if you had tried to go after new markets, that problem would not have existed."

Mr. Saxe: That is what I want to clarify. First of all you would have a question, with the existing plant, can you be competitive? And the answer to that, as proved by the existing profit statement, is no. Then the question becomes, well, what about adding or improving the Canadian plant, or opening up to it get a worldwide market? If SKF in Europe is going to design a plant to supply a worldwide market, why doesn't SKF have part of that worldwide production located in the Canadian facility?

The response to that question, which I think is much of what you were just saying--"Why not invest in Canada? Why not increase in Canada?"--comes back to the tariff structure. The European factories take as a beginning base, the entire European economic community as their base market. They then sell from that. To place in Canada, say, a single group of lines, and allocate to them the world market, would not work because as they try to get into those other countries they would face tariff barriers in those other countries that would make them uncompetitive with the base market production.

That is precisely what SKF tried to do getting into the US market in the early 1970s. It tried to assign to the Canadian manufacturing, production for North American, giving it a large enough base so that it could have updated factory machines and a rationalized production here. It couldn't jump the tariff barrier. If you accept that the company can't sell at a loss, that it can't manufacture and sell at a loss, then it has to produce competitively with plants that are already located in those large market countries.

Canada just simply is not a large enough market in and of itself, if it isn't protected by tariff barriers. If it was protected by tariff barriers, presumably it could have followed, say, the Brazilian, South African or Indian example, and you would have a local factory supplying the local market.

Mr. Martel: Something is amiss here. How many product

lines have you cut in the last seven or eight years?

Mr. Pickett: When you refer to product lines, do you mean bearing types?

Mr. Martel: Yes, types of bearings.

Mr. Pickett: Possibly 10,000.

Mr. Martel: That you have cut out of producing here?

Mr. Pickett: No, no, not here.

9:20 p.m.

Mr. Martel: In your plant here? It is a two-part question. The other part floated; I will save it.

Mr. Pickett: Whatever the number on that list is--it looks pretty accurate to me--50.

Mr. Martel: Of those 50 product lines you have cut back on, how much of that is made up in that \$69 million you are importing?

Mr. Pickett: Three million dollars to \$5 million.

Mr. Martel: If you put that on your \$27 million in 1979, all things being equal, because you brought it in from somewhere else, the net sales would be greatly enhanced from the plant here. An extra \$5 million is nothing to squeeze at.

Mr. Pickett: May I qualify that? When we gave you that number of \$3 million to \$5 million, in taking it out, we did not say that we were able to retain that value in the marketplace.

Mr. Martel: I understand that, but what my friend is leading to there is significant. If you are going to produce for a market in Canada, you cannot, over a period of seven or eight years, cut out a line here, a line there, a line here, a line there. What in fact you do, and I think it is a classic of what multinationals do, is you cut back until it is no longer a viable operation and you can produce an import from offshore. Because if you had those lines and had been able to retain them--and I do not see your product as being an inferior product by any stretch of the imagination. But if you are talking \$5 million, you are talking of going backwards for the last seven or eight years.

It reminds me of the correctional institution they had in my riding. They slowly dismantled it bit by bit; they took this away from it, they took that away from it, until finally it was no longer viable. Then they closed the door and wiped out 225 jobs. It seems to me that if you are cutting out lines of products, you are further reducing the possibility of your competing successfully across Canada because those lines are no longer there. It is a great way to rationalize, but it is sure no hell for the host country. I would like a breakdown of those items if I could get them.

Mr. Pickett: May I respectfully suggest to you that had we not taken those lines out of the Scarborough factory, the decision to close would have come long before now. If you look at that supplementary sheet, 1970 through that period, the losses were substantial. That is really all that saved it at that particular time. We just could not afford to keep producing that particular size and sell it in the Canadian market or any other market. We were losing a substantial amount of money on that product.

Mr. Martel: There was a tariff protection then.

Mr. Pickett: Not if you take into consideration that 90 per cent of that particular bearing size is involved in the agricultural field and in the automotive field, the high volume areas.

Mr. Martel: Could you provide for us the lines that you cut out and how much of those lines you have imported in actual dollar terms? Could that be put together for the committee?

Mr. Pickett: I see no reason why that could not be done.

Mr. Saxe: We will do that, Mr. Martel, and get it to you through the appropriate channels. But let me add something to help possibly clarify the answer Mr. Pickett has given you, because I see your problem. To put it simplistically, which we are forced to do because of two and a half hours, and we are talking about an extremely complicated industry, those lines could not continue to be produced to Scarborough because they were being undersold in Canada by competitors, particularly Japan.

It was not a question of making them in Scarborough or not making them in Scarborough. They were not going to be made in Scarborough. If they attempted to continue making them in Scarborough, the Japanese would have undersold us here in Canada--Japanese or Portuguese, depending on the year, the time and the particular line--so they were not going to be made in Scarborough and sold in Canada. That is something that the company either experienced in the case of some lines, or foresaw in the immediate future in the case of other lines. They then deleted them in Scarborough because Scarborough could not manufacture and sell them competitively in this country.

SKF internationally, because of the large plants with the economies of scale they have in large plants, was then able to import a small number of that line and sell them competitively in Canada. It was not a question of manufacturing them here or importing them. The local manufactured product could not have been competitive, in our tariff reality, against the imports.

It also adds to one other statement, which I know will not satisfy Mr. Johnston very much but I would like to see it made. There was an implication that in all of this nobody in Canada benefits. That is not entirely true. The users in Canada benefit from many of these steps and from this lack of tariff protection, in that they buy bearings at the lowest possible price. Those are a number of Canadian companies, manufacturing products here in

Canada, who are able to do so, presumably that much more competitively, because the bearings included in their product are at the low price.

I could not possibly justify the federal government's decisions to go to a world trade low tariff situation for Canada, but presumably that must be part of their rationale, misguided or otherwise.

Mr. Pickett: Possibly we could add to that, and I would be glad to give a copy of that for the committee, a graph which indicates the import of the product, the exact product that we are discussing here today, over the period of time that we are talking about.

Mr. Chairman: That would be useful. Thank you.

Mr. R. F. Johnston: Mr. Chairman, this just has to do with this list and I think it might be useful to you. This list of lines that you are not handling at the moment--just confirm this to me--the ones that I have listed here, are they not large roller bearings?

Mr. Pickett: They are spherical roller bearings but they are not at all the same bearings that we were talking about generally in the conversation up to now.

Mr. R. F. Johnston: These are not the ones for which there is a big market now in Canada, according to the annual report, in terms of large-- Some of these are used for what, pulp and paper kinds of machines?

Mr. Pickett: They are basically smaller than that. That particular line of bearings you are referring to there is a small range of spherical roller bearings.

The reason they were withdrawn from our Scarborough plant is basically that there was a new and totally different design of bearing evolved over the years in Europe and it became impossible for us to sell this particular bearing on the Canadian market without totally re-equipping the plant. The sales of that particular product--I am afraid I do not have the figures in front of me--were probably in the area of \$1.5 million.

Mr. R. F. Johnston: That is another case of not retooling in Canada but in Europe to handle a change in technology; another case of not being assertive in terms of maintaining what is now a major growth area according to your annual report.

Mr. Pickett: It was simply a question of economy of scale. The bearings were being made in many factories.

Mr. Chairman: If I may just draw the attention of the committee to the fact that we now have one hour before we adjourn. Mr. Mancini is still on the list, and we have five members of the committee wishing to question our witnesses. That would be roughly 12 minutes per questioner after this point.

Mr. Mancini: Let us see if we can go at this another way, Mr. Pickett, and help me out as much as you can. How big is the market in Canada for the products which are produced by SKF International, that is, strictly bearings? Millions of dollars? Or would it be billions?

9:30 p.m.

Mr. Pickett: Do you mean sold by SKF or sold by all bearing companies?

Mr. Mancini: Let's have both. That sounds interesting.

Mr. Pickett: I wish I had the answer to both, but the market size in Canada is approximately \$250 million.

Mr. Mancini: So there is a market in Canada of \$250 million for your company's products in the bearings line.

Mr. Pickett: Yes.

Mr. Mancini: Would that include the complete auto industry, which would allow you to send parts across the border under the auto pact?

Mr. Pickett: It is one of the reasons why I hesitated. Because of the automotive pact, bearings lose their identity.

Mr. Mancini: So it could be far greater than \$250 million.

Mr. Pickett: Or it could be far less. It is very hard to say because they become part of axles and we are not absolutely sure of our statistics.

Mr. Mancini: What would it be without taking into account the auto pact, just, say, the million or so new cars, I believe, which are produced here for domestic consumption? Would that be around the \$250 million?

Mr. Pickett: I think that is a reasonable number.

Mr. Mancini: So if we start with the base figure of \$250 million without considering the auto pact, when we do consider the auto pact it would have a great impact on that figure. Would you not agree with me?

Mr. Pickett: That is right.

Mr. Mancini: It could double the figure?

Mr. Pickett: Yes.

Mr. Mancini: So we are talking anywhere from \$250 million all the way up to \$500 million. and we are not sure of that figure.

What were the sales of the Scarborough plant per year?

Mr. Pickett: Are you talking about sales or manufacturing?

Mr. Mancini: I assumed everything you made was sold.

Mr. Pickett: The net sales in 1979 were \$27 million of product manufactured in Canada.

Mr. Mancini: You are telling the committee then, Mr. Pickett, that your parent corporation would have access in Canada anywhere from \$250 million all the way up to \$500 million worth of market opportunity--

Mr. Martel: Their sales, in addition to that, are \$69 million.

Mr. Mancini: No, I just want to deal with Scarborough.

Mr. Pickett: It is inclusive. That \$69 million is inclusive.

Mr. Mancini: I just want to deal with the Scarborough plant. Don't throw me off here; I have a train of thought going and it is very easy to get derailed.

Just to repeat it so that I understand it, there is market opportunity in Canada for your parent corporations--we are talking about bearings which you make in Scarborough, some part of the bearing industry--of anywhere from \$250 million up to \$500 million, and the Scarborough plant serviced approximately \$29 million of that. Am I in the ball park?

Mr. Pickett: Yes.

Mr. Mancini: Are there any other plants besides the Scarborough plant which operate in Canada and service the same market that we are talking about, and if there are, what are their sales figures?

Mr. Pickett: I wish I also knew those. There are other companies, the Timken Company, FAG--

Mr. Mancini: They are all owned by SKF?

Mr. Pickett: No.

Mr. Mancini: I want SKF figures, please.

Mr. Pickett: We don't own any company other than SKF Canada from a bearing standpoint.

Mr. Mancini: What we have been able to establish is that on the high side your parent company, through manufactured goods in Canada, specifically at Scarborough, services a maximum of 10 per cent of the domestic market consumption and possibly serves only five per cent of the domestic market consumption. Therefore I would conclude that it would be only fair to say that I cannot understand for any corporation that had that kind of market

available to them to be servicing the very minimal 10 per cent of the market that the existing plant is servicing now. You may be able to help me understand this matter. Why would an international corporation such as SKF International have this huge market and absolutely refuse to service it from domestically created products?

Mr. Pickett: Let me see if I can help you. In the product range in Scarborough there are approximately 250 types and sizes manufactured. In the product area that you are talking about of \$250 million to \$500 million, if we can accept those numbers--and let's, for the moment, assume them as being market numbers--

Mr. Mancini: They are your numbers, sir; they're not my numbers.

Mr. Pickett: --there are approximately 148,000 types and sizes. It is therefore absolutely back to economy of scale. There can be large markets in Canada, and let us pick one market, the steel area, for rolling mills, where a single bearing can be worth as high as a quarter of a million dollars. They are very special plants, very special equipment and so forth. We go back to the size of product we have been talking about here tonight, which is a 6203 bearing. So it is impossible to have a plant in Canada of the size that we have, or any plant, expose itself or its products totally across the board in that \$250 million or \$500 million range. It is just impossible.

Mr. Mancini: What I am telling you, Mr. Pickett, and it may not be getting across, is that I do not really expect--and I don't think anyone here expects--that the Scarborough plant should produce every single size of bearing which is consumed here in Canada.

Although I accept your comments and the good grace in which they were made, what I feel is necessary is that when you are going through these rationalizations or market surveys or whatever you call them, in order to service them, some consideration should be given that says: "Let's look at the market for goods consumed in Canada. That market is from \$250 million to \$500 million worth of product. Therefore, it is only fair to give Canada, to give their workers, their people an opportunity to have part of the market," whether that part of the market services only the Canadian market, the Canadian market and some export market or the export market only.

Mr. Pickett: May I just make one point, Mr. Mancini?

Mr. Mancini: Yes.

Mr. Pickett: The Scarborough factory was, in fact, based on the marketing model of what product, the highest volume uses in Canada, et cetera. It did not succeed.

Mr. Saxe: Mr. Mancini, because I may share the same amount of knowledge of the bearing industry--

Mr. Mancini: I wouldn't say that at all, Mr. Saxe.

Mr. Saxe: Maybe I can be helpful by taking an example where I think the problem lies--not understanding bearings but possibly understanding the problem.

Mr. Johnston, I gather, has given us a very good list to work from, but if you take any particular bearing and say: "All right; there is a large market for this bearing in Canada. Why doesn't SKF produce this bearing?" Hopefully you could find 150 examples of that and produce a manufacturing company. But we will take one example. We take a bearing. There is a large market for that bearing in Canada. Why doesn't SKF produce this bearing in Canada?

The answer to that is we cannot produce it competitively against the Japanese, for example, though it may be the Portuguese or it may be the Czechs.

Mr. Mancini: Mr. Saxe--

Mr. Saxe: I am going to continue. I know where you are going, Mr. Mancini, and I am going to continue.

So you say, "Why can't you produce it competitively?" We say: "Well, there is the economics of scale. The Japanese are producing these for a worldwide market and we are trying to produce it for the Canadian market. We can't compete." Quite frankly, no matter how nationalistic you are, we have to face the reality that if we go to our customer and offer him the bearing for \$10 and the Japanese offer him the bearing for \$9, he is not going to buy the bearing from us, even though it was produced in Canada.

9:40 a.m.

So the response to this is, "Why couldn't the Canadian plant produce that bearing for the world, thus getting the economics of scale you need?" And the response to that, as we have said before, is that the large factories that produce bearings for the world need a base market to justify that before they bump into tariff protections. The Canadian base market, before it bumps into the tariff protections, does not allow the assignment of worldwide bearing production of a particular product to Canada. The company tried. It made the best try it could think of by merging the company with the US company.

Mr. Renwick: I have trouble with that answer.

Mr. Saxe: It may be that you disagree, but the company did try.

Mr. Renwick: No, my trouble was not disagreement. It is a lack of understanding on my part of why that is not so. Why can't you do that? Why couldn't SKF, a worldwide operation--excuse me, Mr. Mancini--selectively say, "We will produce for the whole of the world market this particular line of bearing," and cease to produce it in the European market?

Mr. Pickett: We did.

Mr. Renwick: When?

Mr. Pickett: Some of the fellows sitting behind me probably can help me. We took into our factory some seven or eight years ago a particular line of bearings called maximum capacity type bearings, and all other SKF companies stopped manufacturing.

Mr. Renwick: Was that a mainline bearing?

Mr. Pickett: It was at that time.

Mr. Renwick: Now is it?

Mr. Pickett: Let me put it this way. It is a bearing that is used in--up until recent weeks--all heavy truck transmissions. What happened is that the Japanese have cut the price very substantially in the United States, which is one of the big markets. In addition to that, the largest customer, Eaton Corporation, making 18,700 transmissions a month, dropped to 4,000, and in a new design of light transmission have switched to an entirely different bearing, called an E-type cylindrical.

Mr. Renwick: I take it you are saying that nowhere else in the world but in Canada, at Scarborough, this particular bearing was being produced, and it was being produced to service the whole of the world market--

Mr. Pickett: Yes, sir.

Mr. Renwick: --in that volume, and it failed.

Mr. Pickett: The volume did not come up to the expectations. We had the product line to develop, but we could not develop it against the Japanese and so forth, to the point where the volume was sufficient.

Mr. Renwick: I'm sorry, Mr. Mancini.

Mr. Mancini: It's okay. You guys have been doing it all night, but that's all right. It is one of the handicaps we must work under.

Mr. Renwick: We are all worried about the same problem.

Mr. Saxe: Can we take that one step further? I appreciate Mr. Renwick's concern with my answer.

I am going to talk for a moment about an abstract bearing, not a particular truck bearing. If that bearing is produced in a European plant, before it has to meet any tariff, it has a market over 10 times greater.

Mr. Renwick: I understand that.

Mr. Saxe: That's the problem.

Mr. Mancini: Mr. Pickett, on pages 51 and 52, could you inform me which countries in which bearings are produced? I assume

they are produced in most of the western European countries. I am anxious to know if bearings are produced in Chile, in Mexico, on the African continent and if so, where; if they are produced in South America, say in Brazil. Are bearings produced in these countries?

Mr. Pickett: Let me start where you started, if I can. You are referring to SKF?

Mr. Mancini: Yes.

Mr. Pickett: In Chile, no; in Brazil, yes; in Argentina, yes; in Mexico, yes; in South Africa, yes.

Mr. Mancini: And there may be other countries, or are those the only ones?

Mr. Pickett: India.

Mr. Mancini: The plants in operation in those countries you have named, sir--are they producing bearings for the world market or are they producing bearings for the domestic market?

Mr. Pickett: For their domestic market basically.

Mr. Mancini: Good. That leads us back, all the way around again, to the other question. If your international corporation can set up plants in India to produce bearings for the domestic market, if it can set up plants in Mexico to produce bearings for the domestic market, and so on, in Chile and whatever other country you name, why is it impossible to expect that SKF international would have a plant in Canada, with Canadian employees, with direct benefits going to those employees and their community, to service the domestic market? Why is it good enough for Mexico and for India and for Chile and not good enough for Canada?

Mr. Pickett: Simply because, Mr. Mancini, the governments of the countries we are referring to--in the case of India, there is a complete embargo; in South Africa, there is an embargo; in Brazil, the tariff rate, I believe, is in the area of 60 per cent, plus two years' financing of the sale. They are all behind substantial tariff barriers.

Mr. Mancini: When you speak of the world market, Mr. Pickett, what are you talking about? What are you talking about when you say the world market, if that is the case?

Mr. Pickett: I am sorry. I do not get the context of your question.

Mr. Mancini: The original 20 or 30 minutes was spent discussing some type of production in Canada to serve domestic and world markets. Then we were told that was impossible. Then we talked about half a dozen other countries and we were told they all produce domestically because they are not part of the world market. When we talk about the world market, what are we talking about?

Mr. Pickett: We are talking about those countries that do not have such high tariff barriers; Europe, for instance.

Mr. Mancini: When you talk about the world market, are you saying North American and western Europe--free Europe, as we know it?

Mr. Pickett: That is certainly a great piece of it because, as I pointed out--

Mr. Mancini: You are telling us then, sir--thank you for the answer--that the North American market, when you consider the auto pact and the huge government contracts for fighter airplanes and the new industries for transportation, et cetera, that we are trying to fuel here in Canada--I am talking about rapid transit--that market is not a substantial part of the world market and, therefore, it cannot have a plant here domestically to produce for what I would consider to be more than half of the world market.

Mr. Pickett: Not unless we have a tariff barrier substantially bigger than the one we have now, sir, or an absence of tariff barriers in the other countries. That is the reason plants in India and South Africa and so forth can be successful. They are operating, as I said, behind either a major tariff wall or, in the case of the most successful ones, behind an embargo.

Mr. Mancini: I do not doubt that you are absolutely honest with us, Mr. Pickett. It is just very hard for me to concede that there is no place for us to produce bearings and supply more than half the world market.

I would like to ask you, sir, when you set up in India or in Mexico or in Chile, do you have to make contractual arrangements with the governments there? That is my first question. The supplementary is are there other corporations producing a like product which would be in direct competition to yours?

Mr. Pickett: I would not be aware of the contractual arrangements between the parent company and the individual countries. In some countries, I happen to know that there are some competitive manufacturers as well inside the country, but not necessarily making the same product.

9:50 p.m.

Mr. Mancini: I have the feeling that if the market is going to be given over to you holus-bolus by the particular country, it would probably require or request some type of contractual arrangement where you would have to guarantee possibly a certain amount of investment, a certain amount of research and development, a certain amount of capital invested, a certain number of jobs created for so many years, et cetera, and I wonder if it would be too much to ask if you could get that information somehow for the committee.

Mr. Pickett: We can certainly try, Mr. Mancini.

Mr. Mancini: Thank you.

Mr. Saxe: I should explain that information does not exist in Canada, Mr. Mancini. We are going to have to write to the other SKF group companies and see if they would be willing to respond.

Mr. Mancini: I just want to inform you, Mr. Saxe, that the union that came before us, which represents the employees at the Scarborough plant, also took the trouble to write to Europe to get some information for us.

Mr. Saxe: From their unions?

Mr. Mancini: We are very appreciative of the effort it put forward for that information.

This is probably a silly question, but I want to get it on the record.

Laughter.

Mr. Mancini: I know. It sounds even sillier than it is, silly to the point where I probably know the answer. It helps to know the answers sometimes before you ask the question, or at least perceive that you know the answer.

The wages your corporation pays in the Third World countries, some of which we have already mentioned--Chile and others--would, of course, be substantially less than wages paid to employees in western Europe and in North America.

Mr. Pickett: I would expect so, yes, Mr. Mancini.

Mr. Mancini: Do you believe that to be a major consideration for your corporation's expanding there?

Mr. Pickett: Absolutely not, because it does not export from those countries.

Mr. Mancini: You are saying the reason we cannot export to those particular countries we discussed is because the countries' governments will not allow outsiders, so to speak, to penetrate the market.

Mr. Pickett: Absolutely.

Mr. Mancini: I think I have gone through the wringer on that one.

I would like to get back to the closure of the Scarborough plant. I have before me a Toronto Star article dated October 17, 1980: "Another Ontario factory is shutting down but, in an unusual step, SKF Canada Limited of Scarborough has given its 330 employees 14 months' notice."

Was it a corporate decision to give the employees 14 months' notice in hope that no controversy would arise from the closure?

Mr. Pickett: I would say that was part of it.

Mr. Mancini: Was that decision made by the Canadian board of directors or was it made by the international board of directors? If it was made by the Canadian board of directors, what memoranda, what communiques or other sources of information were received by the international board from the Canadian board?

Mr. Pickett: As I said earlier, the final decision was the Canadian board's, but one must look behind that to the months and years that went on to make the Scarborough plant profitable. The decision reluctantly taken, I guess, was the same as the bankers: When the money was gone and the cure was not there, the Canadian board made the decision.

Mr. Mancini: My question, Mr. Pickett--

Mr. Pickett: Oh, I am sorry. Did you mean the decision to tell the employees?

Mr. Mancini: No, sir. Our information says you were ready to close the plant in 1974. For reasons I still cannot understand, because they have not been given to us in detail, the plant was allowed to stay open. We were publicly informed, however, on October 17, 1980 that the plant was going to close.

Mr. Pickett: Yes, sir.

Mr. Mancini: I already know, sir, that you informed the committee that the decision to close the plant was made by the Canadian board of directors. My supplementary question, just a couple of minutes ago, asked if you were coaxed, told, cajoled, if you received memoranda or telephone calls, if you received communiques from the international board of directors, the parent company. Did they write, "Dear Mr. Pickett, We expect you to start moving quickly to close the plant"? That is the type of information I want.

Mr. Pickett: I think it can be summed up by saying that the operational result was not satisfactory and we could not come up with an answer. We tried since 1970 to find that answer and finally we confirmed--the Canadian board did--that the only choice we had was to close.

Mr. Mancini: Did the international parent company ever--I do not want to repeat myself all over again--assist you in making the decision to close? That is my question. Yes or no?

Mr. Pickett: Of course.

Mr. Mancini: Of course.

Mr. Pickett: They are the major shareholder.

Mr. Mancini: Fine. I am just trying to get the information.

Mr. Pickett: I am not trying to avoid your question either.

Mr. Mancini: Were they a major part of that decision-making body?

Mr. Pickett: I would say yes.

Mr. Mancini: If their decision had been, "We do not want to close Scarborough; we want to update it; we want to bring in new technology; we want to expand the operation," if that had been their exact decision and if they had sent you that particular information, of course the Canadian board of directors would have had to adhere to it. True?

Mr. Pickett: We would not have had much difficulty agreeing with it, Mr. Mancini.

Mr. Mancini: No, but that is not the point, Mr. Pickett. The point I am trying to make is that you probably received your marching orders from the SKF multinational corporation and its marching orders were, "Close down the Scarborough plant."

Mr. Pickett: On the contrary, sir.

Mr. Mancini: I'm sorry?

Mr. Pickett: They told us to fix the financial situation.

Mr. Mancini: That is why you closed out the lines and eliminated some of the machinery and sent it all over the world. Is that how you followed that instruction?

Mr. Pickett: We tried since 1970 to find a solution and, regrettably, we could not, but we certainly tried.

Mr. Cumine: Mr. Mancini, I wonder if I might just add something. This whole line of argument of "you have cut out lines gradually to put it into a nonprofit situation" totally ignores the fact that when they were all there, they were nothing but loss years.

Mr. Renwick: Mr. Chairman, may I ask a question?

Mr. Cumine: He begged the question right from the start. If it had been profitable then and we had cut out these lines and gone into an unprofitable situation, then perhaps there might be something to that.

Mr. Renwick: Mr. Pickett, what was the operational result the head office required of the Canadian company? What was the standard under which it would have permitted you to continue to operate?

We asked this of Armstrong Cork. They said they could not make 10 per cent, so they would not put in the money that was required.

What was the standard that, if you could meet the standard you survived and if you could not meet the standard you had to fold, regardless of where the decision was made?

Mr. Pickett: Actually that particular sum was never arrived at, but I can tell you what the group's objective is. If you look on page 11, "If solvency is to be maintained, profitability must exceed the rate of inflation by two or three percentage points."

Mr. Renwick: Where is that?

Mr. Pickett: It is on page 11, five paragraphs down.

Mr. Renwick: "The return on total assets"--is that the one?

Mr. Pickett: It starts off, "Although SKF's present solvency is above the average for the Swedish engineering industry, it must be improved in order to safeguard the future of the group."

Mr. Renwick: "...the rate of inflation by two or three percentage points." So in Canada you are talking about 13 per cent.

Mr. Pickett: Yes.

Mr. Renwick: Over what period of time was that the target?

Mr. Pickett: Actually speaking, it was not a target. Our target was not that high. I am just quoting from what the group officially says is its goal.

Mr. Renwick: What kind of a return, in your judgement, would have allowed you to survive?

Mr. Pickett: The value of art is in the eye of the beholder, but I suppose you need at least the current interest rate, or the current cost of financing.

10 p.m.

Mr. Chairman: Thank you. It is 10 o'clock. We have 30 minutes left and we have four members of the committee who have not yet had an opportunity to enter into the questioning.

I might just say this. While I was a bit late, I was informed by the vice-chairman that Mr. Johnston, the first questioner, had 55 minutes. Mr. Mancini, the second questioner, a member of the Liberal caucus, has had a little bit more than that. That is very--

Mr. Mancini: I was just at the point where they were going to give more information.

Mr. Chairman: Let me finish, Mr. Mancini. I have allowed Mr. Mancini to carry on, and will continue to do so because the

next four questioners are also members of the New Democratic Party. So the caucus times will be well divided.

Mr. Mancini: We did have some time for questioning before six o'clock that may be recorded, Mr. Chairman.

I want to move on to another area, Mr. Pickett, and that is the regulations that your international corporation faces when it wishes to close plants or close operations, what government regulations they face and how they stand up to those government regulations. It was mentioned several times in your report, I believe. At one specific time I quoted your operation had reduced itself from 22 to 16 plants in western Europe. Could you inform us what the general procedure is for plant closings in those places in western Europe where they took place?

Mr. Pickett: It is so totally different from country to country, Mr. Mancini. I would be less than honest if I said that I was an expert in that particular area, but I believe--

Mr. Saxe: Mr. Mancini, we have a summary which has been prepared by another organization. We cannot stand behind it, but it is a reputable organization and we would be glad to supply it to you. That might reduce taking up time now. Mr. Pickett thought the committee already had that.

Mr. Mancini: We may do. I do not know. We have so much information here.

Mr. Chairman: Mr. Saxe, how would you describe the document?

Mr. Saxe: If I can find the document I can describe it. Yes; the European Industrial Relations Review, an extract from the April and May issues.

Mr. Chairman: We do not have that.

Mr. Saxe: We would be glad to supply a copy of that to your clerk and it can be provided to everybody.

Mr. Mancini: I would like to conclude, possibly by having us agree to two or three different things that have been said, ensuring that we both agree on whatever I am going to bring up at this time in order that the record be absolutely accurate.

We have concluded, and we both agree then Mr. Pickett, that you basically received your orders to close the plant in Scarborough when the final decision was made by the international corporation, the parent company.

Mr. Pickett: The final decision was made by the Canadian board, Mr. Mancini. If you wish it had little choice, but I just want to make the record clear that the decision was made there. When the banker says no more money--

Mr. Mancini: You closed with little choice, is that it? Second, you planned to service your share of the total Canadian

market by manufacturing the product outside of Canada.

Mr. Pickett: So long as our share remains, but it is also a fact a goodly portion of the product now manufactured in the Scarborough plant has not yet found a home and is not, in fact, manufactured anywhere in SKF.

Mr. Mancini: But you planned to service the total Canadian market with products produced--your share of the Canadian market--with products produced outside of Canada.

Mr. Pickett: That is correct.

Mr. Mancini: So we agree on that. We agree on the statement but not necessarily on the philosophy of that.

One last comment, and that is concerning the matter of legislation which would regulate closures. I assume, from bits and pieces of information that I have received, that the regulations which governs closures in western Europe are much stiffer than any regulations we have here in Canada, particularly in Ontario.

Mr. Pickett: That is true.

Mr. Mancini: And I assume, since your annual report states that you have closed six factories in western Europe, that you have met those regulations because they are government legislation.

Mr. Pickett: I would assume so.

Mr. Mancini: If we had similar legislation here in Canada, then your company would also meet that?

Mr. Pickett: Absolutely.

Mr. Cumine: Perhaps we could also state that without the legislation here, this company has given 14 months notice of intention, so that it can sit down and negotiate, that is going to bargain--

Mr. R. F. Johnston: (Inaudible)

Mr. Cumine: If the employees decide to withdraw their services, I guess it expires pretty quickly.

Mr. R. F. Johnston: It is not a lot of those almost unveiled threats?

Mr. Cumine: It is not an unveiled threat by us.

Mr. R. F. Johnston: I asked you a very straightforward question. How long does your contract with Pratt and Whitney run?

Mr. Pickett: We have no contract with them, just ordinary, everyday purchase orders.

Mr. R. F. Johnston: And you have no idea how long they

would run for in the natural course of events--about 14 months perhaps?

Mr. Pickett: (Inaudible)

Mr. R. F. Johnston: (Inaudible)

Mr. Chairman: We have Mr. Cassidy, Mr. Martel, Mr. Renwick, Mr. Mackenzie and Mr. Ramsay.

Mr. Cassidy: I have been consulting with some of my colleagues because there are some questions that we want to put on the record before 10:30, and I am going to be the instrument to raise them.

Mr. Pickett, last year you sold about \$66 million in Canada out of the Scarborough plant's production and SKF production from other countries that was imported into Canada. What were the overall profits, after tax or before tax, of SKF Canada in 1979, and what was your overall return on equity or return on investment in Canada?

It's not in the annual report. I looked there. Can you give us that figure or not?

Mr. Pickett: I want to make sure that the number I am going to give you, Mr. Cassidy, is correct.

Mr. Saxe: You want the total production?

Mr. Pickett: The net profitability of the Canadian operation, period?

Mr. Cassidy: And I would like the profit, before tax and after tax, of SKF Canada, not just the manufacturing operation.

Mr. Pickett: Our problem is that it is not segregated. It's a combined statement. I believe the number is \$3.126 million after tax.

Mr. Cassidy: Would you be able to give us the audited balance sheet and profit and loss statements for SKF Canada on a 10-year basis, so that we can--

Mr. Pickett: A 10-year basis?

Mr. Cassidy: Yes.

10:10 p.m.

Mr. Saxe: Mr. Cassidy, we expected there was a distinct possibility that the committee would ask for SKF Canada financial sheets. We have them with us. Having told you that--we are not trying to make any secret of that--we have them for five years, by the way, because that was what we were told you would be looking for in a question which I think Mr. Johnston read out earlier. Five or 10 years, our problem remains the same.

I have them duplicated here. I don't want to suggest anything else to you. But we told you that we invite this committee not to ask for them, and I would like a moment to tell you why we suggest you don't ask for them.

We will try, as we just did, to answer those questions you specifically feel you need. We have also supplied you with a breakout of the manufacturing data which is relevant to the actual operation being closed. As I said, should the committee want it, we have already asked our auditors to prepare a letter which will certify to you that that breakout is a fair representation.

The reason why I invite you not to continue to request the overall financials for SKF Canada is essentially related to the fact that we are in a very competitive industry, and intend to keep operating in this country, hopefully with a very viable enterprise. The company is absolutely convinced that should those figures become public in any way, it will seriously damage their ability to remain competitive in this country. That is a worldwide position of the company.

As you can see from the annual report in front of you, it does not breakout its geographical statistics by company or by area. That failure to breakout is recognized as necessary for the bearing industry by the International Labour Organization and by the Organization for Economic Co-ordination and Development, both of whom permit, in the bearing industry, a nonbreaking out on geographical area because of the world competitive situation.

In Canada, SKF when it was a federal company in the mid-1970s, applied for an exemption under the Corporations and Trade Unions Returns Act. The reasons for that exemption were fully and long-windedly, one might want to say, since it was argued by lawyers, argued in front of the appropriate tribunal.

That exemption, an extremely rare exemption, was granted because the tribunal hearing those arguments recognized that in this industry, should that data become public, you could severely damage the ability of this company to continue to operate in the country. At the current time SKF is not federally chartered. It is an Ontario corporation and under Ontario law, is not normally required to supply that data.

So I invite you, for those reasons, to see if we can answer those questions which you feel are imperative. We have supplied the manufacturing data, but I suggest to you that it would not be in anybody's interest to supply that data for this company given its ongoing competitive reality in this province. We are not closing down in this province. We are continuing to employ a lot of people, and I would not want to damage the company's ability to do so.

Mr. Cassidy: With respect, the answer is no. I have heard the argument many times before. Once, before I became a New Democratic MPP, I was a financial journalist and went through this many times in the past. I suggest that the committee will be able to reach a judgement about that tomorrow, but it is very difficult

at our meeting in the near future, in terms of subpoenaing the information which you have there.

Mr. Saxe: You don't have to subpoena the information, Mr. Cassidy. The information is here. If the committee asks us to turn it over, it is yours. I have put to you the reasons why I invite you not to ask for it. I am not saying that you have to subpoena it. I am asking you not to ask for it because I think that there is an important issue of considering the company's viability.

I realize that many companies will put that to you, Mr. Cassidy. I realize that every private company will say, "We are not giving you our financials." But I suggest to you that very few private companies could say to you that an exemption was granted under the federal Corporations and Trade Unions Returns Act; that very few companies could say to you that the reasons for that exemption are recognized by not only the ILO but the OECD. We are in your hands and the committee's hands.

Mr. Cassidy: I am not a member of the committee. I am here as the leader of my party and as a guest of the committee, and I think it is going to be up to the committee to make that decision. I would point out to you, however, that from what I have been able to discern from your report, out of the corporation's \$3 billion sales last year worldwide, Canada had about two per cent of the sales; that your employment is currently about one per cent of overall employment in SKF worldwide, and with the current shutdown, will shrink to about a one half of one per cent of the jobs in the corporation, maybe about 0.6 or 0.7 per cent.

In other words, we are being asked to continue to be a good market for SKF, a market which, presumably, is not only profitable in terms of the sales here but, one has to assume, also sales accruing to other divisions of the company in other countries which are making bearings for sale here, whose profit is not included in the, say, the \$1 million profit on sales of goods imported into Canada, which you recorded last year. It is pretty difficult for this committee, or anybody looking at a justification for a layoff or a shutdown, to come to grips with it, if we are told we cannot have the figures, or if we have to spend the remaining few minutes of the hearing dredging them out one to one.

Mr. Saxe: I certainly don't want to spend this committee's time debating that with you, Mr. Cassidy. I appreciate your point of view. All I can do is say once again, the operation which is being closed down is the manufacturing operation. Those statistics have been provided to the committee. As to the justification for the close down, it is based on the viability of manufacturing in Canada. That information has been placed in front of you.

Mr. Cassidy: With respect though, I think it is a valid question in terms of the way that we run this country, when we provide a rich market for a company like SKF, whether there isn't some obligation in return. Does your company, Mr. Pickett, have a policy of seeking to balance production in a country with the

sales in a country, as some other multinational corporations do?

Mr. Pickett: I think it is a question, Mr. Cassidy, of what the competition allows you to do in what country, and what tariff walls and so forth are protecting you, and what tariff walls are working against you. I would like to have it the other way from a marketing standpoint, but I am afraid that the realities of the marketplace just don't permit that.

Mr. Cassidy: In other words, the answer is no. Is that right?

Mr. Pickett: I think it's a qualified no. One thing I might point out for the committee's information, I think that there is a general misinformation about competition in the bearing industry. I think a goodly number of people are unaware of the fact that there are some 175 manufacturers of bearings in the world. A goodly number of them are operating now out of newly developed nations such as Portugal, where there are no tariff barriers of any kind.

Mr. Cassidy: Perhaps I can come to that question since it has come back so many times. I was very surprised to hear you say, early in the afternoon, that it is not since 1974 that you have really made representations to the federal government over the tariff problems that your industry was suffering. But then you ask us to accept that that is the single major reason why the SKF facility in Scarborough is having to be closed.

In particular I note that although you face a 10 per cent barrier into the major natural market, which would be the United States, since 1976 the dollar has declined from \$1.04 to 84 cents and the value of the currencies of the leading competitors--I am thinking of West Germany and Japan--in relation to both Canadian and American dollars, has gone up between 20 and about 40 per cent, which far more than offsets the 10 per cent tariff which you have to overcome to get into the United States.

Mr. Pickett: Yes, and the answer to that, sir, is the fact that the bulk of our export from this factory has in fact been into the United States, where we have had successes in the United States. I wish it had been more.

Mr. Cassidy: But the fact of the tariff has not been offset by the 20 per cent change in the value of the Canadian dollar relative to the United States.

Mr. Pickett: Of course it has been offset, but the competitive pressures in the US market for that particular product have not allowed us the kind of price that we need to make it viable.

10:20 p.m.

Mr. Cassidy: Did the Canadian board make representations to the parent company about a new way of restructuring the Canadian operation or a new way of mandating in order to make the Canadian operation more viable than you feel it has been in the

recent past, not just in 1974-75?

Mr. Pickett: To my knowledge there have been six major studies undertaken by the group as to ways and means of making it viable.

Mr. Cassidy: Are you prepared to share one or two of the most recent of those studies with the committee?

Mr. Saxe: We can try. Again, as Mr. Pickett just said, these are studies that were undertaken by the group, the group's terms of reference were used for the international company and those studies would be located, at this time, in Sweden. They may not even be in English but we can try to obtain them and supply them. Mr. Pickett feels fairly certain there is a recent one we can get that may be in English.

Mr. Cassidy: Okay, I think the committee would appreciate that.

I would like to ask about the situation between this country and Mexico. In Mexico the market is about \$56 million worth of turnover if I have done the translations from pesos into Canadian dollars correctly, you have double the current employment of the Canadian operation, you have an industrial market which is substantially smaller than the industrial market of Canada, and you are now investing \$40 million in the new plant in a joint venture in Ibiza, Mexico.

That is quite a remarkable difference from the situation here in Canada. Can you tell me how much was invested in the Canadian operations last year by SKF? My reading of the report indicates about \$100,000.

Mr. Pickett: That is right, that is correct.

Mr. Cassidy: Is it not correct from what you are saying that the lines now produced at the Scarborough plant are effectively becoming obsolete, when you say that you do not see where the market will come from for those, in effect, when the Scarborough plant closes next year that you may in fact cease making most of those lines?

Mr. Pickett: Some of the lines will not be reproduced, if you wish. It is our hope that the bulk of the bearings will be produced somewhere else in the world. What I might point out in the Mexican situation, of course, is that we do not own the factory nor do we have the controlling interest.

Mr. Cassidy: You have a 40 per cent interest in the joint venture. Are you into that because it is a joint venture, because of high tariff barriers or because of an industrial policy that Mexico is carrying on more successfully than this country?

Mr. Pickett: I really would not know that, Mr. Cassidy, not from our situation here in Canada. I would be glad to help you in any way that I can.

Mr. Martel: There must be some reason why you are going to Mexico. Is it because the Mexican government says you cannot get in unless you are in a joint venture?

Mr. Pickett: I would assume that is precisely what it is but I do not know that of my own--I think it is a question of when the Mexican government has 60 per cent, I can assume when they wish to expand they say you will.

Mr. Cassidy: I think what we are asking you is, certainly the arguments about tariffs that apply to Canada, that you have made very strongly, certainly apply with equal strength to Mexico.

Mr. Pickett: Yes, they do.

Mr. Cassidy: They have a higher tariff coming into the United States than we do.

Mr. Pickett: That is correct.

Mr. Cassidy: The Latin America free trade area is basically very ineffective in terms of providing low tariff access to other Latin American countries. I would assume they have as many problems with (inaudible) market as we do and they face similar or greater tariff barriers going into the common market.

Mr. Pickett: But the bulk of their production is for home consumption.

Mr. Cassidy: But you have told us that in Scarborough, 250 lines were not enough when there is a market for 148,000 different types and sizes in the Canadian market. Is the Canadian market somehow that much vastly different from the Mexican or why is it they can meet a substantial part of their home market and we here are being told that we cannot?

Mr. Pickett: It is very basic to me, I am sorry I have not made it more clear, and that is because of the competitive situation. Canada is a totally open country. Granted, we have a so-called bearing protection but it does not really exist. In Mexico, of course, there is a major tariff wall amongst other nontrade barriers as well.

I heard you say very clearly to Mr. Mancini that his federal Liberal friends have sold SKF and 300 workers in Scarborough down the river. Would that be an accurate rendition of your comments? Would you agree with that at all?

Mr. Pickett: No comment.

Mr. Cassidy: I have a final questions and then I will pass to my colleagues.

On transfer prices, administration fees, management charges and technology costs, how much last year went out of Canada to SKF International or to the Swedish parent from the Scarborough manufacturing operation? Can you give us a ball-park figure?

Mr. Pickett: Are you referring to dividends basically?

Mr. Cassidy: I am referring to management fees, costs of technology for technology transfer, all of that range of payments. If it is done by means of dividends then perhaps you can express it that way too.

Mr. Pickett: Mr. Cassidy, I would like to check the numbers to be sure they are accurate. With a \$400,000 dividend I believe it is a \$100,000 fee for the total purchase of R and D for the factory and the sales organization in total, and I believe that the total management fee--and this is the area where I am not absolutely positive of the number--was in the area of half a million dollars.

Mr. Cassidy: There are only a few minutes left. I have to say that the concept of global product mandating which the government's Ministry of Industry and Tourism is so actively endorsing, in the case of your company, was attempted but effectively has failed, is that correct?

Mr. Pickett: I am sorry, I did not clearly hear your question.

Mr. Cassidy: The concept of global product mandating has in effect been tried within your company in the Canadian operation for about six or seven years but it has failed, is that right?

Mr. Pickett: I think in that particular respect, Mr. Cassidy, what I said is that one of the major product lines was given, if you wish, to Scarborough. I cannot say that the entire factory was in that area.

Mr. Cassidy: What proportion of the factory's output was in that one line?

Mr. Pickett: Thirty per cent, 35 per cent.

Mr. Chairman: We have three minutes remaining to be divided among Mr. Martel, Mr. Renwick and Mr. Mackenzie.

Mr. Martel: I suggest that we invite them back to continue this nice little tete-a-tete because I must confess that I am really lost as to how the tariffs work against us in every way possible; both externally going into the European common market and into the United States, and how they work against us because we have no tariff protection coming into the country. We are born losers in this country and I think that we have to grapple with that problem, as embarrassing as it is to my friend across the way.

Mr. Mancini: You voted with the Minister of Industry and Tourism all year long.

Mr. Chairman: I take your question and your comment seriously, but we would have to address ourselves to our calendar and our timetable and I think we have to look at that tomorrow or at the earliest opportunity.

10:30 p.m.

Mr. Martel: You would be delighted to come back?

Mr. Renwick: I would like to have one last crack at this tough question. If your worldwide organization designated Canada to produce a major line--I am not talking about history, I am talking about as it stands now in Europe, one of the major lines you produce, airplane bearings or whatever it may be--and you said that Canada was to produce the worldwide production other than those countries where you are barred because of the domestic situation, India and so on and so forth, what would prevent the European market being open to that production, assuming that it was on such a gigantic scale it could get in?

What are you saying the result would be? You are now producing it there, you have the European market as your base. What if you say we will discontinue, we will do it from Canada, we will bring it into Europe, what is the barrier?

Mr. Pickett: The chances would be that the end result, Mr. Renwick, I believe personally, would be the loss of the market in that particular sphere of that product, because of the tariff barrier. To jump in there, you would have to on the economy scale get up to that level and then jump that barrier.

Mr. Renwick: Let us assume that you said that the economy of scale is there, we will do it, we are not going to produce in Europe, we are going to produce in Canada and we are going to sell in Europe. Are you saying to me that whatever your share is, I think you said 14 or 15 per cent of the European market, that you would lose that?

Mr. Pickett: That would be my best guess, yes.

Mr. Renwick: So the net effect of what you have told us is that you will be able to exploit this market on an import basis but that we are effectively excluded from the United States and from Europe?

Mr. Pickett: That is correct, and that does not just apply to bearings.

Mr. Renwick: So we are excluded from the United States; we are excluded from Europe; we are excluded from Japan; we are excluded from India; we are excluded from Mexico. I do not know, maybe those rickshaws need a lot of--

Mr. Mancini: Mr. Chairman, before we break up and leave, I would like to inform the committee that at our next meeting I am going to request that the committee formally request to have come before us an expert on tariffs and that possibly if we have any particular person in mind we could present that to the committee so we can decide who we would like. Possibly the staff could find a particular individual who is an expert on tariffs whom the committee may wish to hear.

Mr. Chairman: Mr. Pickett and gentlemen, thank you very

much for your time. You have been most helpful. This meeting is adjourned until tomorrow afternoon.

The committee adjourned at 10:34 p.m.

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